

GENERAL LIBRARY
ANN ARBOR MICH
OCT 11 1932

The National Underwriter

LIFE INSURANCE EDITION

SATURDAY, OCTOBER 8, 1932



THE AMERICAN LIFE CONVENTION . .

was formed in a spirit of meeting the needs of the insuring public, and of safeguarding the means for meeting those needs.

— ALWAYS —
in the same spirit as this tradition. . The KANSAS CITY LIFE has stepped forward to meet the unusual needs of the insurance buyer of TODAY. . at the same time fully recognizing, and meeting now, his needs for TOMORROW.

Stepping Forward with

NEW POLICIES

to meet and to help
the insurance buyer with

NEW NEEDS...

- LIFE INSURANCE DEMANDS of today, are for maximum protection, with the option guaranteed that investment benefits, including Endowments and Old Age incomes, may be obtained with the return of more prosperous times.
- THESE NEW AND POPULAR POLICIES of the Kansas City Life fully meet these demands.
- OUR TRAINING COURSES fit new men to meet these demands with an intelligent understanding of current as well as future needs; and, at the same time, equip him to meet each set of needs, whether current or future, without sacrificing to the other.
- THESE PURE PROTECTION POLICIES guarantee an option on Life and Investment forms: **Limited Payment Life, Endowments and Income**, retirement or annuities.
- HUNDREDS of policyholders are happily using these policies to make the adjustments which they are compelled to make, and at the same time maintain an insurance program which they are reluctant to abandon.

KANSAS CITY LIFE INSURANCE COMPANY

Home Office: 3520 Broadway
KANSAS CITY, MISSOURI

Agency inquiries should be addressed to
J. F. Barr, Vice President & Supt. of Agents

J. B. REYNOLDS, President.

C. N. SEARS, Secretary.

CHARACTER

As years accumulate, a business organization acquires a personality from the individuals who are members of it. The business principles and methods they adopt and practice help to mold the institution. This personal quality is not acquired over night, in a year, or in a few years. Character is built in a life insurance company only by earnest devotion to principles and friendly unselfish dealings over many years.



MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

SPRINGFIELD, MASSACHUSETTS

Organized 1851

WE HAVE ROOM IN OUR AGENCIES FOR
PROGRESSIVE YOUNG MEN

The National Underwriter

THIRTY-SIXTH YEAR
No. 41-A

CHICAGO, NEW YORK, CINCINNATI AND SAN FRANCISCO, SATURDAY, OCTOBER 8, 1932
Office of Publication, 175 W. Jackson Boulevard, Chicago, Illinois

AMERICAN LIFE
CONVENTION NUMBER

Daniel Boone Is Elected President

Executive Session Proves Strenuous

American Service Bureau Activities Separated from Hooper-Holmes Bureau

FEDERAL TAX DISCUSSED

Keesling in Line for Next Presidency—
Lindsay and Laird Elected Executive Committeemen

Convention Headquarters,
Toronto, Canada

Daniel Boone of Kansas City, president of the Midland Life, was unanimously elected president of the American Life Convention in executive session Wednesday, he being placed in nomination by President J. B. Reynolds, Kansas City Life, his fellow townsman, who was the first president of the organization. The new member of the executive committee is H. K. Lindsay, president of the Farmers & Bankers Life of Wichita, Kans., who was placed in nomination by Claris Adams, vice-president American Life of Detroit. The retiring president, John M. Laird of the Connecticut General, was nominated for a place on the executive committee by Isaac Miller Hamilton of the Federal Life. F. V. Keesling of San Francisco, vice-president and general counsel of the West Coast Life, who has served on

NEW OFFICERS ELECTED

PRESIDENT

Daniel Boone, President Midland Life of Kansas City

EXECUTIVE COMMITTEE

New Members—John M. Laird, vice-president Connecticut General Life; F. V. Keesling, vice-president West Coast Life, San Francisco; H. K. Lindsay, president Farmers & Bankers Life, Wichita, Kan.

Hold-Over Members—C. B. Robbins, president Cedar Rapids Life; Frank P. Manly, president Indianapolis Life, and Walter E. Webb, executive vice-president National Life, U. S. A., Chicago.

the committee for two years was re-elected being nominated by President Dougherty, Guaranty Life. Mr. Keesling, by the way, is in line for the presidency next year, he now being the senior member of the committee.

Executive Session Was a Strenuous One

It was a strenuous executive session and lasted until 1:30 a. m. Aside from the election of officers and committee reports there were two major subjects to come before the members. The first related to the separation of the American Service Bureau machinery from the Hooper-Holmes Bureau. The second related to federal revenue tax on life companies.

Twelve years ago when the American Service Bureau was organized it purchased the Hooper-Holmes business in the central west and Pacific coast. The American Service Bureau hired the managers and employees but did the work

for the Hooper-Holmes Bureau in order to divide the expense. This contract for joint operation expires next year. After consideration on both sides it was decided best not to renew this contract.

The discussion on the federal revenue tax provoked much discussion. As will be remembered the American Life Convention tax committee headed by F. W. McAllister, vice-president and general counsel Kansas City Life, proposed to the committees in Congress that in computation of income tax there be deducted the reserves plus one-half percent beyond the reserve basis used, that is, a 3 percent reserve company could deduct 3½ percent and the 3½ percent people 4 percent. The committee agreed finally to a one-fourth percent margin. The Life Presidents Association argued for a flat 3¼ percent. The measure finally adopted was the Life Presidents plan with some modification to provide for 4 percent reserves.

(CONTINUED ON LAST PAGE)

Canadians Greet A. L. C. Gathering

General Session Under Way Following Legal and Financial Sections' Meetings

CONSIDER NEW PROBLEMS

President Laird Gives Comprehensive Review of Vital Questions Affecting Life Insurance Business

Convention Headquarters,
Toronto, Canada

The annual meeting of the American Life Convention proper followed two days of hard work on the part of the Legal Section and one full day's meeting of the Financial Section. The golfers had held their tournament the first two days and concluded the outing with a dinner Tuesday evening at which all attending the gathering were invited as guests of the Toronto companies.

President John M. Laird opened the meeting and introduced G. Cecil Moore, assistant general manager of the Imperial Life of Toronto, who is president of the Canadian Life Insurance Officers Association, to bring greetings. The Canadian body is the oldest of the kind in America, it having been formed in 1894. Almost all the companies operating in Canada are members. Presi-

(CONTINUED ON PAGE 13)



DANIEL BOONE, Kansas City, Mo.
Newly Elected President



JOHN M. LAIRD, Hartford
Retiring President



BYRON K. ELLIOTT, St. Louis
Manager and General Counsel



ROLLIN YOUNG, St. Louis
Assistant Manager and Actuary

Report Made on Revision of Incontestable Clause

Especial interest was taken in the report made to the Legal Section by its special committee on revision of the incontestable clause, headed by F. V. Keesling, vice-president and general counsel West Coast Life, which was approved by the Legal Section. The committee has been working on this question for three years, having reported progress at the annual meetings in 1930 and 1931. A similar committee appointed by the Association of Life Insurance Counsel, of which Mr. Keesling was also a member, reported at the spring meeting of that organization and its report was unanimously approved. The two committees reached the same conclusion, which the report says accounts for the identity of language in the provisions submitted. In explaining its purpose the report says:

"The suggestion that revision of the incontestable clause should be considered was due to some tendency of the courts to construe that clause as defining risk assumed, which had prompted inclusion of exceptions in the clause to avoid uncertainty and which exceptions stated in a statutory incontestable clause developed some serious possibilities."

Defense of Unassumed Risk Is Not a Contest

The report quotes at some length the discussions of the subject at last year's meeting. Referring to a statement made by one of the speakers at that time it says:

"The record does not sustain the conclusion that 'after two years a life insurance policy means that when the insured dies the company pays.' The prevailing rule relative to unassumed risks does not sustain it. If there is to be a definition of life insurance it should be direct and clear—it should not be the indirect product of misinterpretation of the incontestable clause."

"It is a justifiable contention that defense of unassumed risk is not a contest. It is standing firmly on the terms of the contract. If an unassumed risk is included as an exception to the limitation of the right to contest, does that not have a very definite effect on interpretation of the intention relating to the meaning of contest? Is it unreasonable to hold that, if an unassumed risk is not included as an exception, while others are included as exceptions, defense of such other unassumed risk cannot be made after the period of limitation? For the same reason there has been refusal to permit inclusion in a policy of risks not assumed other than those excepted in statutory incontestable clauses."

Confusion Over Military Service, Aviation Provisions

"If it is a policy provision that death as a result of military service in time of war and death as a result, etc., of flight in any species of aircraft are risks not assumed under the policy, and in the same policy there is an incontestable clause or there is a statutory incontestable clause which provides as an exception to the right to contest, 'violation of the conditions of the policy relating to military, etc., service in time of war,' but does not except death as a result of flight in any species of aircraft, does it not result in justifiable confusion?"

"While judicial interpretation of non-statutory clauses has continued quite favorable, we should be more interested in what is happening where there is a statutory clause. In the case of Bogacki vs. Great West Life (Mich.) Jan. 23, 1931, 253 Mich. 253, 234 NW 865, there was involved the force and effect of the provisions of a statutory incontestable clause. The court observed that after the lapse of two years con-

test is limited to the exception stated in the statute.

"However, it should be treated as dictum because the real issue was whether or not a defense of public policy could be interposed after the expiration of a statutory incontestable period of two years which included as exceptions only non-payment of premium and violations of the conditions of the policy relating to naval and military services in time of war. The defense was that the policy was a wagering contract obtained by fraud by one who was without insurable interest and that the policy was therefore void. The case is more interesting by reason of the court's observation as to the effect of the statutory incontestable clause:

New York Ruling on Metropolitan Aviation Clause

"Our statute no longer leaves it to an agreement of the parties, but specifically requires that it be in the policy. Public policy, at the best, is somewhat nebulous; is subject to legislative regulation, and whatever may be said in defense about the right to contest on the ground of public policy, where the incontestable clause was merely by agreement, has no applicability in case the legislature has made such a provision a part of the contract. The incontestability statute of this state expresses public policy on the subject."

"The New York commissioner, in the matter of the application of the Metropolitan Life to permit the inclusion of a clause relating to aviation, stated: 'I am convinced that it was the intention of the legislature that, with the exception of the provision in relation to military and naval service, the full amount

Group Chairman



WENDELL P. COLER

Wendell P. Coler, actuary American Central Life, who as actuary of the American Life Convention presided over the group conference at the Pittsburgh meeting last year, was called upon to preside at this year's meeting.

of the face of the policy should be payable absolutely in the event of death of the assured, provided the premiums have been paid.

"If the policy has been in force for two years, the face of your policy calls for one amount, and your proposed rider calls for another if death occurs under the conditions specified in said rider. . . . The legislature has specifically

(CONTINUED ON PAGE 8)

Snapshots from Convention Floor

The Life Extension Institute was represented by President H. N. Ley, Vice-President J. V. Barry and Dr. L. G. Sykes, medical director. Dr. Sykes was formerly medical director for the Connecticut General and Mr. Barry was a vice-president of the Metropolitan Life. Both attended the meeting for the first time in their new capacities.

The American Central Life had a formidable battery of talent at the meeting including President H. M. Woollen, Vice-President Harry Wilson, Robert Sturtevant and Russell T. Byers, Actuary W. P. Coler, V. H. Brainard, investment supervisor, and Floyd Fisher, assistant to the president.

Joseph Behan, head of the agency department of the Massachusetts Mutual Life, mingled with the crowd. Vice-President K. A. Luther of the Aetna Life was another agency executive at hand.

President H. A. Behrens of the Continental Assurance of Chicago, who spoke Wednesday afternoon, was accompanied by Dr. H. W. Dingman, vice-president and medical director; G. S. Beaumont, assistant treasurer; Lester L. Johnson, superintendent of agents, and R. B. Bedolfe, Canadian manager.

W. T. Nardin, the new president of the Missouri State Life, who is president of the Pet Milk Company, made his bow to the convention. Those who heard him at the executive session talk on the federal revenue tax were impressed with his ability and sound judgment.

E. C. Sparver, superintendent of agents, J. M. Jameson, vice-president and actuary, and R. C. Knell, assistant to the president of the Reliance Life were on hand this year. The Reliance Life acted

as the official host in its home city last year where the meeting was held.

The Missouri State Life was active in the work. President W. T. Nardin arrived Wednesday. Vice-President and General Counsel Allen May was chairman of the Legal Section. S. W. Souers, financial vice-president, spoke before the Financial Section. Vice-President C. O. Shepherd was prominent in the group life conference. Vice-president J. J. Moriarty always makes friends by his cordial demeanor.

The annual banquet and ball Thursday evening was a brilliant and colorful function. The Canada company officials and their ladies were out in full array. Prior to the banquet, they received in special quarters.

Insurance Editor John C. Leissler of the Chicago "Journal of Commerce" arrived Tuesday with his brand new bride, he having married Miss Gladys Schmidt in Chicago Saturday. Miss Schmidt was formerly connected with the home office of the Federal Life.

F. V. Keesling, vice-president and general counsel of the West Coast Life of San Francisco, always attends the American Life Convention meetings and he is now a member of the executive committee. He is president of the Association of Life Insurance Counsel. Henry Cole Bates of the legal department of the Metropolitan Life attended the meeting. He is secretary of the association.

Mrs. T. W. Blackburn of Omaha attends annual meetings as the guest of the American Life Convention. Her husband was one of the founders of the organization, was its secretary and general counsel for many years and until his death was regarded as its guide, philosopher and friend.

Coler Leads Group Insurance Parley

Much Interest Is Expressed in Problem of Insuring Associations

SELECTION IS ADVERSE

Faults Found with Salary Savings Plan—Mortality on Converted Group Policies High

Those interested in group insurance held a conference Wednesday afternoon with Actuary W. P. Coler of the American Central Life presiding.

W. A. P. Wood of the Canada Life said that the object of the Group Association is to establish proper underwriting principles for group insurance. Companies followed various lines before it came into being and there was much confusion until the association was formed. He said there had been much loss on group disability.

The subject of insuring association groups came up. Vice-President Laird, Connecticut General, said the experience in this line had been unfortunate. Earl Dunlap, assistant actuary Metropolitan, said that these association groups constitute a very serious question to companies undertaking to insure them. He said up to four years ago the Metropolitan wrote many of these. It has left 37 groups of this class. It took in \$3,000,000 in premiums on these association groups and the claims exceeded that amount. Rates were increased, resulting in some of these associations cancelling their contracts. Mr. Dunlap said it is difficult to induce young people to join such an insurance plan when they can get a 10-year term policy, for example, more cheaply. The older ones remain and the selection is against the company. He said this plan is practically assessment insurance. In almost all association policies there is a provision permitting a company to cancel a contract. If there is no such provision a company might increase the rate to a prohibitive point. He said that a company runs into many difficulties with these association contracts. It has to deal with individuals and not with a responsible employer.

Salary Savings Plan Is Discussed by J. M. Laird

Mr. Laird spoke of the salary savings plan saying that the Connecticut General had quite a vision at one time, expecting to build up a large business along this line. Unless there is an individual selection of risks the tendency is for agents to include lame ducks, especially officials or supervising men who have much influence. The mortality therefore runs up. He said his company is now writing salary savings insurance in a restricted way, confining these contracts largely to the white collar class. Most of the salary savings policies are small and premium payments are made monthly.

C. O. Shepherd, Missouri State, said his company had to jack up rates on salary savings accounts and association policies and this caused the younger people to withdraw. He said that all of the faults and weaknesses of assessment insurance come out in these association groups. Where a rate is based on the individual, and the average not taken, the experience is more satisfactory. Mr. McDougall of the Confederation Life said his company cut out all association business a year ago.

Valentine Howell, Prudential, said his

(CONTINUED ON PAGE 11)

Twisting Stirs Up Agency Officials

F.L. Jones Urges War on All Sides

Anti-Twisting Energies Should Be Multiplied, Equitable Vice-President Says

INSTITUTIONAL PROBLEM

Reserves Are Being Torn Down at Time When They Are Demonstrating Their Supreme Value

Companies must accept the mutual responsibility of solving the internal problem of twisting, according to Frank L. Jones, vice-president of the Equitable Life of New York, who addressed the Agency Section of the American Life Convention at Toronto.

Formulation of rules and methods that will effect a higher degree of persistency, he said, is an institutional question and challenges the collective ability of the companies. The very principle of legal reserve life insurance is involved, he declared.

Hard Times Should Renew Faith in Legal Reserves

At this time, according to Mr. Jones, when life insurance is proving its stability and is contributing to the financial support of the insured, the business is challenged in its own ranks by a doctrine that a policyholder can use his reserve and buy new insurance with profit to himself. If the same sort of advice had been extensively given in the ten years preceding 1929, reserves, Mr. Jones said, would have been greatly depleted and the usefulness of life insurance as a current support of the policyholders could not have been nearly so effective as it has. The die to win notion of life insurance has been given its greatest jolt, he said, in recent months by the legitimate use of reserves for current emergencies. There will be other emergencies in the future in which the reserves of life insurance should and will play an important part as stabilizing funds, he said.

Sociological Tendencies Show Need of Reserves

Mr. Jones pointed out that policyholders are being shown illustrative figures, being a mixture of ideas of debt, interest and low premiums. There is much more that the policyholder should know, he said. Companies, he declared, have not done all in their power to give effective assistance to the policyholder. The value of reserves has not been sufficiently emphasized, he indicated, and the companies are contributing to the killing of the goose that laid the golden egg by permitting their associates to advise policyholders that it is poor business to maintain a sizable reserve.

A number of sociological tendencies, according to Mr. Jones, lead to the conviction that policies which carry large reserves must be sold so that the double function of a policy may be amply carried out, that of protecting the dependent and of supporting the insured in his upper years. The tendencies mentioned by Mr. Jones were the declining birth rate, which will bring about a larger percentage of upper ages, the lessening of the number of units of dependents

(CONTINUED ON PAGE 10)

Immediate Action Asked to Stamp Out Twisting

Executives dare not close their eyes to twisting methods employed by agents, said Lee J. Dougherty, president Guaranty Life of Iowa, in his talk at the Agency Section on "The Executive Raises a Question." No matter how large a volume of business these men produce, such business is not good business because it is not honest. He urged approaching this vexing problem with the grim determination of minimizing the evils resulting from the practice as far as possible. He said the most effective weapon is publicity. "Let us take hold of this thing," he said, "handle it without kid gloves and do something about it. We cannot permit it to continue."

Quotes National Underwriter Editorial on Twisting

Mr. Dougherty quoted an editorial from THE NATIONAL UNDERWRITER telling how a twister undermined the confidence of his prospect in life insurance to such an extent that he couldn't replace the prospect's policies in his own company. "If we can make this sort of business unprofitable to the unscrupulous agent," Mr. Dougherty said, "the evil practice will die for the lack of nourishment."

"We should instill in our representatives the spirit of fair play," Mr. Dougherty declared. "We should instruct them to set forth the virtues and merits of our own company and not cast reflections and resort to the slighting remarks of our competitors."

Scorching Condemnation of Twister Is Given

"A twister has been defined as an agent who seeks by foul means to induce a man to give up a policy he now has for one the twister wants to sell. He is held in disrepute by honest life insurance representatives. He is unclean—a leper. He is not to be trusted. He is shunned. His purpose and design are to discredit his competitor and make a few questionable dollars in commission for himself. And this he does by tearing down his prospect's property and causing him a loss. All this bunkum about one company being better than

another, having lower rates and allowing higher commissions, should not and will not be used by an honest life insurance man. If we, through our respective company managers can not satisfactorily handle this bane of twisting, then legislation must be enacted to take care of it. Are we ready to confess failure?"

Does Not Pay Full Commission on Rewrites

In discussing the conservation of business Mr. Dougherty said that perhaps the companies had been too liberal in granting policy loans. He said greater restrictions should be adopted so that the company would not be left holding the bag, without a safe margin when the policy is surrendered.

In regard to rewriting, Mr. Dougherty said that although his company has a definite plan for handling such business, it is used only when the policy is heavily loaned and the assured makes the statement that he cannot and will not continue his insurance. The Guaranty Life does not pay full commission on rewritten policies during the first year but it is scattered over a period of two years. He said the first year after the loan is a critical one.

Mr. Dougherty said he believed many agents who have never resorted to twisting and misrepresentation before are doing so now. He said the twisting laws of the states must be made stronger. He advocated that the National Convention of Insurance Commissioners at its next meeting pass a uniform anti-twisting law that has sharp teeth.

Ben S. Beecher, vice-president Stone-wall Life of Vicksburg, Miss., who was formerly an executive of the National Guardian Life of Madison, Wis., and later of the Sentinel Life, Kansas City, Mo., captured a golf prize and met old time friends.

President D. E. Ball of the Columbus Mutual Life was accompanied by his son, B. G. Ball, who has recently gone with the home office of the Columbus Mutual. Their wives accompanied them to Toronto.

Quartet of Able Men on Program

Maintenance of Standards and Elimination of Vultures Offers Challenge

NAME McLAIN CHAIRMAN

Up to Agency Executives to Straighten Out Field Force, Says Jaeger

NEW OFFICERS

Chairman—J. A. McLain, Guardian Life. Secretary—J. J. Moriarty, Missouri State Life.

At the opening of the Agency Section meeting Friday morning, H. H. Armstrong, vice-president of the Travelers, spoke enthusiastically of the hospitality of the Canadian officials. President J. M. Laird turned the gavel over to W. W. Jaeger of Des Moines, vice-president Bankers Life, chairman of the Agency Section, who presented a quartet of able speakers: A. Gordon Ramsay, assistant general manager Canada Life; E. McConney, actuary Bankers Life of Iowa; President L. J. Dougherty, Guaranty Life, and Frank L. Jones, vice-president Equitable Life of New York.

Mr. Jaeger said the challenge of the agency departments is to maintain clean standards and eliminate the vultures and those who are tearing down in this day or sore distress. It is up to the agency executives, opined the chairman, to straighten out the field forces.

Urges Companies to Join War on Twisting

Chairman Jaeger urged American Life Convention companies to join in the group of 55 companies that are trying to minimize twisting of business, the plan being outlined in the address of Vice-president Jones of the Equitable of New York. He read the anti-twisting resolution adopted by the organization at its Des Moines meeting and also the by-law authorizing the executive committee to fine, suspend or expel a member who violates vital rules. Mr. Jaeger called attention to the danger confronting companies in having their business undermined by twisting.

The new president, Daniel Boone, was escorted to the rostrum by President Ayres of the American Life and Vice-president Keesling of the West Coast Life. A gavel was presented to the retiring president.

Association Staff at Meeting

The American Life Convention headquarters staff was represented by Manager Byron K. Elliot, Assistant Manager and Actuary Rollin Young, Attorney R. H. Kastner, Publicity Manager D. F. Barrett and Miss Mildred Hammond, secretary to Judge Elliot. Lee Parker, Barrett Woodsmall, and Maurice Cederstrom of the American Service Bureau were present. Mr. Young was attending his first meeting in his new capacity, he coming to the convention a few months ago from the Franklin Life where he was assistant actuary.

Agency Section Officers



JAMES A. McLAIN, Guardian Life Chairman



W. W. JAEGER, Bankers Life, Inc. Retiring Chairman

Why Call It Luck?

You can't call the successful growth of the American Life Convention lucky! The present reputation and position occupied by the A. L. C. is justly due because only the highest ideas and those factors in life insurance that would build up the soundness and strength of the legal reserve system were ever fostered by the Convention. The enthusiasm and hard work of all members over a long period of time toward building the A. L. C. cannot be called lucky.

You also can't call the growth of the Commonwealth Life lucky. Hard work, loyalty and satisfaction of our agents who work under that extremely unusual plan of "Commonwealth Cordial Cooperation" backed by Home Office executives, whose first thought is toward the men in the field, has made this company successful. It's not luck!

Our plan of "Commonwealth Cordial Cooperation" which pleases agents so much has been a big factor in keeping our agents with us. We would like to tell you about the plan because we feel it might appeal to you.



I. SMITH HOMANS, Vice President

COMMONWEALTH LIFF INSURANCE COMPANY

Louisville, Kentucky

Rely on Intuition in Selecting Men

Ramsay Criticizes Theoretic Analysis of Prospective Agents in Recruiting

MUST ADMIT MISTAKES

Apologetic Attitude in Making Appointments Harmful—Consider Opening as An Opportunity

Recruiting new salesmen was discussed by A. Gordon Ramsay, assistant general manager Canada Life, in a talk on "Today's Agency Problems" to the Agency Section. He criticized the theoretical analyses of prospective salesmen and said it has tended to make the managers too self-conscious about their selecting. Managers should depend more on their intuition as there are certain basic qualifications which any man given the responsibility of management can detect.

Many managers, said Mr. Ramsay, select a reasonable proportion of suitable material, but spoil results by timidity in admitting mistakes. Many times they try to convince themselves the selection is good, while they have an inner conviction that it is impossible for the new man to make a success.

Must Use Tact in Discussing Selection of Men

Home office men should usually agree with the manager about the selection of prospects if the latter has already formed an opinion of the new man. It undermines the manager's self-reliance to tell him a man won't be good if he has already decided he will and it is difficult for the new man to make a success if the manager is not impressed with him at first. Home office advice in this connection, whether pro or con, is usually more harmful than good.

Mr. Ramsay called attention to the mistakes made by managers in selecting recruits. Too little time is spent in looking for the right men in communities. The tendency is for the manager to appoint someone of whom he is not quite certain rather than leave the appointment open. Another fallacy is for the manager to have the wrong mental attitude and to treat the securing of information about prospective agents and the appointment in an apologetic manner, instead of creating the impression that there is an opportunity open for some good man. The job should be regarded as a prize.

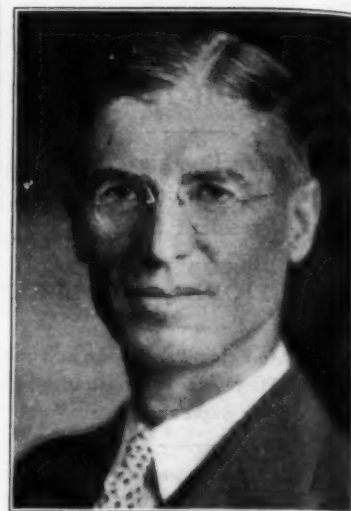
Problem of Separating Grain from the Chaff

Never before have there been more promising men available for the life insurance business, said Mr. Ramsay. Although a number of the unemployed are of the inefficient class there are many men today without jobs through no fault of their own. It is a difficult problem, however, to separate the grain from the chaff.

Some managers are skeptical about employing new men at this time because they fear they will not be able to make a living, but living costs are less, so that a smaller minimum production will pull a man through his apprenticeship period at this time.

In regard to advances, Mr. Ramsay said this matter must be handled with care but "I do think we can be penny wise and pound foolish in one direction. I believe that much more money has been lost in advances to groups of men with budgetary requirements of say \$100 a month than those with budgetary re-

Canada Life Official on Agency Problems



A. GORDON RAMSAY, Toronto, Ont.
Assistant General Manager Canada Life

quirements of say \$250 a month. While we naturally recommend a minimum of advances, in my observation we have had an excellent experience with those on whom we felt justified in risking the larger amounts in the apprenticeship period."

Mr. Ramsay called attention to the demand by policyholders upon older agents due to business conditions. Requests for policy loans take much time and they have little opportunity for conservation work. The older men in the Canada Life have been persuaded to let the office staff handle a good deal of this detail and to spend more time in new production efforts.

The problem of rewriting heavily jeopardized policies was discussed by Mr. Ramsay. It is a problem which cannot be dealt with arbitrarily and involves many cases requiring investigation and specific consideration. In his report accompanying an application a Canada Life agent is required to give details if the premium for the policy is derived from any transaction affecting an old policy. This has gone a long way to stop twisting and the situation between companies in Canada has been such that a prompt and sympathetic investigation of any complaint is taken for granted.

Special Entertainment for the Women at the Meeting

The Toronto companies arranged special entertainment for the ladies. All hands were present at the annual banquet and ball Thursday evening which as usual was a brilliant affair. Some of the wives of officials of Canadian companies acted as hostesses for the visiting ladies. Headquarters were established in a special suite in the hotel for the ladies. On Tuesday evening the ladies were taken to the Granite Club for dinner followed by entertainment. On Wednesday afternoon they were taken on a sightseeing tour around the city followed by afternoon tea at Lambton Golf and Country Club. On Thursday there were shopping and sightseeing tours.

Two Canadian Members

Two new Canadian companies were admitted to membership in the American Life Convention at the Toronto meeting, they being the London Life of London, Ontario, and the Mutual Life of Canada. The Canadian companies that have been members are the Confederation Life, Canada Life, Imperial Life and Sun Life.

Actuary Inveighs Against Twisting

McConney Declares It Is Monstrosity Endangering Morale of All Concerned

OLD POLICY IS BETTER

Many Advantages of Keeping Even Heavily Loaned Contract Cited by Bankers Life Man

The all absorbing question—to rewrite or not to rewrite—was discussed in the general session of the American Life Convention at Toronto this week by Actuary E. McConney of the Bankers Life of Des Moines, whose subject was "The Actuary Makes an Assist."

Mr. McConney differentiated between "twisting" per se and rewriting one's own business in a wholesale manner, but devoted his paper to the first practice. He said it is largely due to misunderstanding and misrepresentation.

Pays Only Small Rate for Use of the Money

He said while the policyholder does pay 6 percent on his policy loan, the company credits his reserve with 3½ percent of this and, if participating, with still another 1 percent, so in reality he is paying only a small percentage for use of the money.

He said one hears a great deal of policy loans now, but back in 1915 policy loans were 15 percent of all companies' assets. Under the stimulus of high wages in war times and other causes, this percentage dropped to about 12 percent and remained somewhere near level until 1928 when the public increased this percentage to 12.5 percent and again in 1929 to 13.6 percent. Now he said even though all the "big stuffed shirts have been to the cleaners and have come back exceedingly limp," the percentage is only 16.7 percent.

He said the fact cannot be overlooked that loan values provided by life policies have been a godsend to thousands of policyholders and the salvation of banks, and he expressed wonder how much worse the conditions would have been if all insurance had been on the term plan so much advocated by twist-ers.

Drain on Surplus Is the Inevitable Result

The first effect of twisting is on the company, new business being a loss to the company until about the second policy year, due to acquisition cost being so much higher than renewal cost. "If twisting is encouraged or even passively submitted to," he said, "it will inevitably grow to a stage where companies will be able to get past the second policy year with only a very small proportion of the business written, and business will continually be rewritten. That process, of course, means a continual drain on the surplus."

Secondly, he said, is the effect on the field force, it being human nature to desire the easy course. Thirdly is the effect on the policyholder. He asked if it is worth while to save for one year, how much more it is worth while to save for five years, and ten years, by keeping the old policy instead of twisting to a new one.

Acquisition cost in taking a new policy is an important expense the policyholder suffers with the change. Many policies have no surrender value until the third policy year and contain a surrender charge for several years after that.

There are other advantages that can-

not be measured in dollars and cents, he said, but they are none the less potent, such as:

"(a) The old policy is usually incontestable and suicides are covered. (b) The old policy may have the 90 day or other bargains in disability that cannot be obtained now. (c) Payments on the old policy at set times have become a habit and that means low lapse rate; we all know the difference in lapse rate between new and old policies. (d) The loan can be covered by temporary insurance at low cost while some amortization plan of repayment is effected. (e) When the next depression comes—five, ten, 15 years hence—with life insurance alone quoted at par, will the rewritten policies then have the same equities as the old policy?"

He compared such practices to the expedient employed by the snake Naga in an old Hindu legend, who thought he was not going fast enough and, taking his tail in his mouth, consumed himself to attain the goal.

Mr. McConney said: "We are today facing a monstrosity—one that is capable of ruining our companies by rapid disintegration due to an attempt to swallow our own and each other's bodies—an evil thing that will ruin the morale of the salesmen and train up a multitude of misrepresenters—a dishonest thing that is unfair and costly to the

public. Is this what we have evolved from, or what we are evolving to?" He concluded that the answer lies in the hands of life insurance executives.

Tribute to Mounted Police

W. G. Preston, president Bankers Reserve Life, in the little preface to his talk before the Financial Section paid his respects to the northwest mounted police. He was located in the Klondike region for six years and ran two pack trains. He said that the police gave exceptional protection. He also paid tribute to the Canadian banking system.

A father and son appeared on the program this year. Edward B. Raub, Sr., vice-president and general counsel of the Indianapolis Life, well-known in American Life Convention circles, read a paper before the Legal Section giving his views of how the law department looks at the president of a company. His son, Edward B. Raub, Jr., associate counsel of the LaFayette Life, appeared before the Financial Section, speaking on "Uniform Real Estate Mortgage Provisions and Foreclosures."

President Henry Moir of the United States Life was accompanied by Mrs. Moir. Next week Mr. Moir will attend the meeting of the Actuarial Society of America at Ottawa.

Chicago Speaker



HERMAN A. BEHRENS, Chicago President Continental Assurance

Conserving business by getting cash with each transaction

The DeBarry method of insisting upon cash with each conservation case makes it necessary for your policyholder to decide whether he is going to keep his insurance in force. When he is satisfied to pay cash it is good evidence he intends to pay the next premium.

If the reserve is employed to pay the premium the policyholder does not have to make up his mind regarding keeping his insurance until some months in the future—at a time when the conservation special agent is not there to show why he should continue. The result in too many cases is a lapse. Using reserves to pay the entire first premium without insisting upon cash is not good conservation practice and does not make for permanently satisfied policyholders.

When the reserve is used to back-date and the policyholder is required to pay some cash for the current premium the transaction is bound to be satisfactory to your policyholder, your company, your agents and DeBarry & Associates. The policyholder is then sold on your company, knows he has been treated fairly and he has shown his good faith in keeping the insurance in force by investing more money in his policy. The DeBarry conservation method gets cash and maintains the goodwill of policyholder, agent and company.

Send today for an interesting conservation prospectus.

DE BARRY & ASSOCIATES, INC.

Conservation and Reclamation Counselors

222 WEST ADAMS STREET

CHICAGO

Financial Talks Attract Attention

Many Investment Issues Reviewed

President Macdonald of Confederation Life Is Elected Section Chairman

NOTED ECONOMIST TALKS

Authorities Discuss Various Phases of Bond, Mortgage Holdings and Foreclosed Farm Management

NEW OFFICERS ELECTED

Chairman—C. S. Macdonald, President, Confederation Life.
Secretary—O. J. Lacy, Vice President, Minnesota Mutual Life.

The Financial Section in charge of R. T. Byers as chairman, who is vice-president of the American Central Life, attracted much attention and a number of additional seats had to be provided to accommodate those desiring to listen to the speakers. J. E. Reilly, secretary and treasurer Old Line Life of Milwaukee, was secretary of the section. Mr. Byers said that abnormal conditions had brought new problems to companies along investment lines. Much interest was taken in the first speaker as he is a noted economist. He took his bachelor's and master's degrees at the University of California and his doctor's degree at Harvard where he was professor of business statistics for some time. Dr. A. J. Hettinger, Jr., of the Investment Research Bureau at Detroit, is consultant and advisor of many large concerns.

He said that the whole economic world is out of balance and every country has been jolted badly. In the United States there has been a mania for liquidity because creditors lost their faith. Mr. Hettinger finds sentiment in general more hopeful. This is a psycho-

(CONTINUED ON PAGE 15)

General Recovery Noted But Caution Is Essential

An unusually fine talk on the absorbing subject of "Bonds" was given in the Financial Section meeting by Sidney W. Souers, financial vice-president Missouri State Life. He said while business conditions now appear to be on the mend, there is greater need than ever to take advantage of the results of constant study of bond holdings, to dispose of those where the position of the industry or individual company is doubtful or where management is weak or financial structure unsound, and to replace them with bonds of corporations of unquestioned standing, aggressive and able management and sound financial structure.

Wise Policy of Companies Surely to Be Continued

He said life companies always have exercised the most careful and intelligent supervision of their investments and this is one main reason for their having come through the depression with flying colors. They have been alert for opportunity to shift investments from bonds showing signs of weakness to those of greater stability and strength. They may be counted on to continue the same wise policy and to come through the period of stress in a sounder and stronger position than ever.

Complex Economic Machine Thrown Off Balance

The economic system is complex, involved and a delicately balanced interrelationship. One of the most disturbing effects of the war inflation and depression for life companies is the disarrangement of this most intricate mechanism and a precipitate drop in market value of bonds.

Mr. Souers said some decline in these was to be expected during a serious business depression. He finds, however, the collapse of market values experienced early this year was largely due to demands of depositors of savings banks, forcing banks to dispose of high grade securities to take care of cash withdrawals; abnormal demands on life companies for policy loans which forced many companies on to the market for new investments and actually to dis-

pose of many bond holdings, and the fact that individuals were forced to provide funds by taking loans on their investments.

The general condition of hysteria was a contributing factor. Gold was being withdrawn by foreign interests at a rate which could not long be endured, he said. Banking institutions throughout the country were tottering and between July, 1931, and July, 1932, over 2,400 banks with aggregate deposits \$1,772,263,000 were forced to close. He said there also was great doubt whether this country could maintain its gold standard, the abandonment of which would seriously affect the value of all securities.

Declares R. F. C. Greatly Helped to Arrest Decline

Many remedies were proposed, including inflation of currency and immediate payment of the soldiers' bonus, which Congress wisely resisted, although it created the Reconstruction Finance Corporation to stabilize credit. The banks and insurance companies were able to obtain funds for unusual demands without liquidating securities, thus arresting the decline in security prices.

There are tangible signs of an improvement in business conditions. Commodity prices are rising. This will put additional money in the hands of farmers and other producers and stimulate buying necessary to replenish depleted stocks. Some seasonal increase in business activity may be expected. Most important, however, is the psychological change, confidence now being felt.

However, this is a period of deflation. The fact that there is reason to believe that business conditions are on the mend and bond prices may be expected to rise, does not remove certain serious conditions, he said. Before recovery can be expected, the process must be completed; readjustments must take place in levels of commodities, wages and debts. The deflation is not yet complete. Perhaps greatest resistance to the process is found in general obligations such as bonds and mortgages, which came

(CONTINUED ON LAST PAGE)

Fear of Escheat Laws Unfounded

Statutes Governing Ownership of "Unnecessary" Property Analyzed by A. E. BroSmith

PROBLEM IN TWO STATES

Oklahoma and Texas Are Only States Threatening Insurers, Travelers' Men Says

Insurance companies have little to fear from statutes governing corporate ownership of property unnecessary for the purpose of its business. This was the heartening message of Allen E. BroSmith, attorney for the Travelers, in his address before the Financial Section of the American Life Convention in Toronto. The question has become important because of the increase in foreclosures, especially of farm property, and because of the demoralized real estate market.

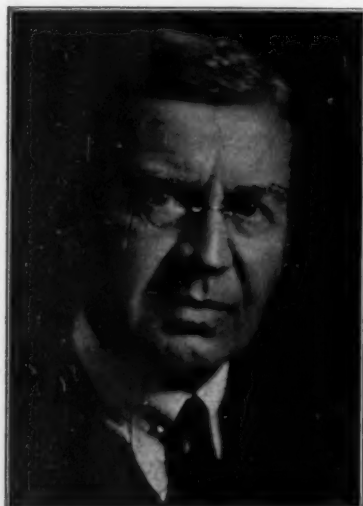
Where there is a prohibition in a state against a company owning property unnecessary for the purpose of its business and there is no penalty for a violation other than the revocation of the company's license which is doubtful, there is not much to fear, Mr. BroSmith declared. In four states, he said, there is a penalty for the violation of the prohibition against holding property beyond the prescribed time, viz., the forfeiture of the land to the state.

No Restriction on Time of Holding in Fourteen States

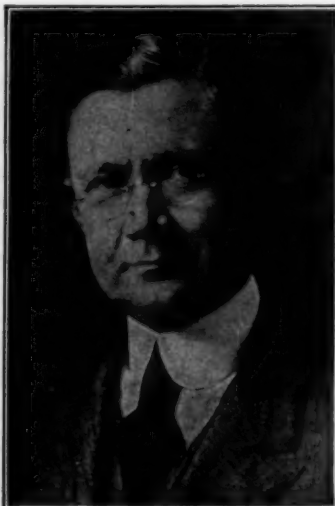
However, in two of these four states, Texas and Nebraska, there is in Texas a period of 15 years granted to the company to dispose of surplus property, and in Nebraska 10 years. Unless the title by foreclosure was obtained several years before the present depression, the time allotted in both of these states

(CONTINUED ON PAGE 18)

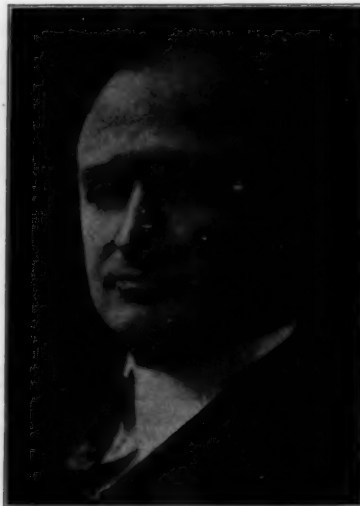
DIRECT DESTINIES OF A. L. C. FINANCIAL SECTION



C. S. MACDONALD, Confederation Life Newly Elected Chairman



R. T. BYERS, American Central Retiring Chairman



O. J. LACY, Minnesota Mutual New Secretary



JOHN E. REILLY, Old Line Life Retiring Secretary

Industrial Section Has First Meeting

W. J. Bradley, Home Life of America, Presides—No Set Papers

OVER 80,000 FIELD MEN

Tribute Paid Constructive Work Done by Agents on Debit—Outline Company Problems

The first annual meeting of the new Industrial Life Section was held Friday afternoon. The Agency Section held forth in the morning. W. J. Bradley of the Home Life of America of Philadelphia, field inspector and publicity manager, presided as chairman. In his introductory remarks he said there are only 12 American Life Convention companies writing industrial as well as ordinary. There were no set papers, Chairman Bradley feeling that more could be derived from an exchange of views and experience. Mr. Bradley estimates there are 80,000 field men selling industrial and ordinary insurance in the United States. He paid tribute to the constructive work done by the men working on the debits, stating that for more than 50 years they have carried the message of thrift and protection into the home once a week during every week of the year. He stated that over half the population is today paying weekly and ordinary premiums to the field men.

Combination Companies Have Distinct Problems

Chairman Bradley said that companies writing industrial-ordinary have many problems in addition to those experienced by the strictly ordinary companies. While those engaged in the ordinary business have many opportunities to exchange information, the Industrial Life Section offers the way for a similar opportunity for cooperation and exchange of views in its particular field.

Mr. Bradley had outlined a program for discussion including a number of pertinent subjects relating to industrial soliciting.

Selection, Training and Supervision:

- Employed versus unemployed applicants.
- Inexperienced man versus ex-agents.
- Responsibility for recruiting and selecting.
- Straight canvass or debit collection.

Methods and Practices:

- Compensation of agents, assistants and superintendents.
- Elimination of non-producer.
- Agency finals and special salary losses.
- Ratio of agency turnover to debit size.
- Concentration of debits (transfers, etc.).
- Mortality ratio and settlement of short claims.

Stimulating Production:

- Sales contests.
- Agency meetings and conventions.
- Debit specialists.
- Balanced production of industrial and ordinary.
- Opening and developing new territory.

Selection and Conservation:

- Inspection and medical examination risks.
- Cash surrenders, lapses, policy loan requests.
- Cash and loan revivals.
- Relation of business persistency to agency turnover.

Adams Is Luncheon Host

Claris Adams, Detroit, vice-president American Life, gave a luncheon Thurs-

day afternoon in honor of J. J. O'Connor, manager finance department U. S. Chamber of Commerce, and Merle Thorpe, editor "Nation's Business," published by the U. S. Chamber. Both spoke Thursday morning. It so happens that Mr. Adams' sister married a young man who was first connected with Mr. O'Connor's department in the U. S. Chamber and is now switched to Mr. Thorpe's department. The guests were personal friends of Mr. Adams, including the executive committee of the American Life Convention, some of the past presidents, newspaper men and Vice-President P. M. Fraser of the Connecticut Mutual.

Luncheon for Vice-Presidents

On Wednesday noon there was a luncheon tendered to the state vice-presidents by the American Life Convention officials. There were present the members of the executive committee, the members of the local Toronto arrangements committee, the past presidents of the American Life Convention and the fraternal delegates representing the Association of Life Insurance Presidents and National Life Underwriters Association and Canadian Life Insurance Officers Association as well as speaker guests.

More Restrictions Are Suggested on Double Indemnity

The committee on double indemnity reported that last year there were over \$31,000,000 in premiums collected for double indemnity benefits, 59 percent being paid out in claims. There was probably a free margin of gross premiums left which averaged less than 10 percent. The committee said that a steady increase in the death rate from accidents prompts the question whether this margin is sufficient. Generally speaking the premiums are uniform for all ages at entry, yet there is a tendency to adjust the rate for different plans of insurance and to increase the rate charged as the age at entry increases. The premiums range all the way from \$1 to \$2, there being an average of about \$1.57. There are numerous exceptions and limitations, so that it is difficult to make a comparison of rates.

The committee states that while there is a certain sameness in the wording of the clauses, some companies have few exceptions and others have quite a number. About 63 percent of the companies

require that there be a visible injury and 59 claim the right to investigate. In 68 percent of the clauses the benefit terminates when disability is granted.

The committee is of the opinion that greater uniformity in the different risks to be excluded is very desirable. It is found that 69 percent of the companies have adopted an age limit of 60 for the termination of double indemnity. In view of the increase in the accidental death rate at ages over 40 it is quite plain that with a constant rate of premium, some age must be fixed for the termination of the benefit. The committee asserts that all the indications are that 60 is too high. It is debatable, declares the committee, whether at ages over 55 the rate of premium collected, where it is uniform for all ages at entry, is sufficient to cover the risk and provide a reasonable expense margin.

Should Consider Limit of Indemnity Allowed

The committee declares that the amount of double indemnity permitted to any individual should be given greater consideration. The committee suggests that no applicant should be granted more than \$50,000 accidental death benefits in all companies, including death benefits under commercial accident policies.

CHECK!

- ✓ Why boast about attractive agency contracts?
Every successful, alert company has them.
- ✓ Why ballyhoo over a collection of unique policies?
Every aggressive, properly equipped company has them.
- ✓ Why brag about up-to-date sales plans and material?
Every efficiently managed company has them.

—Then wherein lies the difference between companies?

It lies in Character, Personality, and Ideals!

YOU want a company that recognizes you as an important factor in its organization.

YOU want to feel that you are a respected, personally-known member of a live and pulsating human force—not a number in a machine.

YOU want a warm spirit of friendliness and good-fellowship throughout the organization of which you are a part.

YOU want, in a word, to be a man among men and enjoy individuality and life—not to be allowed to feel small, unrecognized, ignored.

Why not give a thought to the

AMERICAN CENTRAL LIFE INSURANCE COMPANY

Established 1899

— — — — —

Indianapolis

"GUARANTEED BENEFITS—GUARANTEED LOW COST"

REPORT ON INCONTESTABLE CLAUSE

(CONTINUED FROM PAGE 2)

specified the one condition under which the policy can be questioned after two years, provided the premiums have been paid, and that is for violation of the conditions of the policy relating to military or naval service in time of war.

"That was a holding in effect that the statute was a definition of life insurance. It is true that it was not upheld by the court of appeals but the possibilities are indicated by what has been happening elsewhere.

Question Whether Limitation of Liability Clearly Expressed

"We are all familiar with the decision of the supreme court of Louisiana in *Leidenger Bernier vs. Pacific Mutual Life*, 135 So. 85, wherein the decision of the court was diametrically opposed to that of the New York court of appeals in the *Metropolitan* case. The policy in the *Leidenger* case limited recovery to the amount of premiums paid for death arising . . . from engaging in aerial navigation, etc. The incontestable clause contained only the customary exception relating to non-payment of premiums and violation of conditions of the

policy relating to military service. There is this significant comment by Janvier, judge:

"After all, the question at issue is not whether there exists a right to limit liability by contract, which right, of course, does exist, but whether in this case the intention with reference to the limitation of liability has been clearly expressed."

"In an application for rehearing (subsequently denied), one of our associates in the Legal Section, E. J. McGivney, represented the applicant and made a forceful argument in support of his petition, and we are indebted to him for information which has been elicited from that petition.

"Supporting the opposite theory, in another recent decision, *Head vs. New York Life*, 43 Fed. (2nd) 517, U. S. C. A. 10th Circuit, it was held that 'the incontestable provision in the statutory clause is not a mandate as to coverage nor a definition of the hazards to be borne by the insurer,' that the incontestable clause provides 'rather that, after the expiration of the two-year period, the policy within the limitation of

the coverage shall stand unaffected by any defense that it was invalid in its inception or thereafter became invalid by reason of a condition broken,' holding specifically, 'the exceptions in the incontestable provision of the statute do not militate against this construction.'

"Massachusetts has a statute similar to New York statutory standard incontestable clause. The attorney-general of Massachusetts, Aug. 8, 1922, in interpreting the clause, held:

"The incontestability of the policy as provided for in said Section 132, Clause 2, precludes a defense that the contract made between the parties is not valid and binding. It does not preclude a defense that the subject matter of a claim is outside the scope of the contract as written.

Clause Called Product of Existing Bad Policy

"It does not enlarge the coverage of the contract, neither does it of itself determine the risk or hazard which the parties to the contract elect to include therein. . . .

"It cannot fairly be said that because the statute sets forth certain exceptions to incontestability of a policy, that no contract may be made which, by the mutual agreement of the insured and insurer, lessens the extent of the coverage

by removing those connected with aviation from the scope of coverage.

"The incontestable clause was a product of existing bad policy. Early history discloses denial of liability on account of alleged breach of warranty and every reply to a question or statement was a warranty by condition. One court declared, 'insurance companies are not favorites of the law.' (1 Duer (N.Y.) 118). In *Kentucky Mutual vs. Jenks*, 5 Ind. 96, May, 1854, the court said:

"It is not good policy in the courts to favor such cunningly devised insurance policies as that whatever event happens the underwriters may reap the premium and escape the risk. On the contrary, some degree of acuteness should be called in to uphold and enforce such agreements, whenever there has been a fair contract and a substantial compliance."

"In recognition of injustice of this type some companies pioneered in the effort to rectify conditions, and in 1879 the *Equitable Life* announced: 'the dissatisfaction which prevails through the community with regard to onerous conditions contained in life insurance contracts and the judicial decisions based thereon, together with the public indorsement of the liberal usages of this society, as shown by its largely increased business, has led the management seriously to consider whether the contract could not be simplified and certain conditions erased therefrom which have been the subject of much criticism and misconception.'

"It accordingly declared: '1. Policies will be made incontestable after three years from their date.' (There were four other specifications in the interest of policyholders.) This is probably the beginning of the incontestable clause as we know it today.

Contributes to Elimination in Indefensible Contests

"Possibly the incontestable clause has contributed to the elimination almost entirely of indefensible contests on the part of life insurance companies. As the incontestable clause itself was due to higher ethical standards, we are inclined to the belief that higher ethical standards should be given the credit. Such ethical standards demonstrated in insurance company administration and interpretation of contracts, and the more thorough supervision of insurance companies, which mark a difference in the times, should relieve apprehension on the part of the public, if a study of the incontestable clause should justify revision and the companies should proceed to effect that revision.

"Two types of clauses have been suggested:

"(a) After this policy (of life insurance) shall have been in force during the lifetime of the insured for a period of two years from the date of its execution, its validity shall not be contested for misrepresentation, fraud, non-disclosure, breach or non-fulfillment of any condition in the policy, relating to its original issuance.

"(b) After this policy shall have been in force during the lifetime of the insured for a period of two years from the date borne by this policy, it shall not be contested on any ground affecting its original validity.

"We prefer the following clause, with optional elimination of the words contained in parenthesis: 'After this policy of life insurance shall have been in force (during the lifetime of the insured) for a period of two years from the date borne by this policy, it shall not be contested on any ground affecting its original validity.'

The two *Grahams* won the putting prizes. George Graham, Vice-president Central States Life of St. Louis, who scored 28 and Ben S. Graham, Brooklyn Life, second.

From the executive staff of the *LIFE Presidents' Association* came Manager George T. Wight, Assistant Manager V. P. Whitsett and Actuary Bruce Shepherd.

GREAT SALESMEN OF HISTORY

The founders of any successful business are always great salesmen.

Probably no business or industry during the past has made more rapid strides or taken a deeper or stronger root into our national economic structure than the institution of life insurance.

The high ideals, the courage and the business skill and wisdom of the pioneer officers and managers of American life insurance companies stand out as an example and an inspiration.

ROYAL UNION LIFE INSURANCE COMPANY

DES MOINES, IOWA

A. C. TUCKER
Chairman of the Board

J. J. SHAMBAUGH
President

Elliott in Review of Vital Issues

**Life Insurance Weathers Storm
Nobly, But Much Remains
to Be Done**

HEAVY LEGISLATIVE YEAR

**Nation-wide Tax Movement Expected
in 1933, A. L. C. Manager and
Counsel Predicts**

Life insurance again has met the full force of bad times and again has returned victorious and unscathed, Byron K. Elliott, manager and general counsel of the A. L. C., declared in his annual report. The institution was sound in conception and wise and upright in management.

It has taken the position of leadership among the major servants of society. Life companies were equipped and ready to meet an economic depression which humbled many proud institutions, he said. They are equally prepared to fulfill their obligations of service in the approaching period of normal prosperity, which, he believes, is destined to be the greatest life insurance era in our present civilization.

Convention Now Has 137 Member Companies

The A. L. C. now is international in scope, he said. Its companies are domiciled in 35 states and two provinces of Canada. Aggregate insurance in force of the 137 member companies as of last Dec. 1 was \$32,815,957,464, of which about 4 percent was industrial. Admitted assets totaled \$4,769,687,656. Life insurance distributions in the United States and Canada last year totaled \$3,000,000,000, and notes and loans to policyholders over \$600,000,000.

He referred to the changes in the federal revenue act affecting life companies. With the diminished principal deduction and the corporate rate of income tax raised to 13½ percent, it has been estimated the tax was increased more than 50 percent. He also touched on the new federal estate and gift taxes.

Life Companies Borrowed Little from the R. F. C.

Insurance company borrowings from the Reconstruction Finance Corporation have been exceedingly small when compared to funds supplied railroads, banks and other qualified borrowers, and only a part has been taken by life companies. The home loan bank act should prevent many foreclosures and modify the pressure of liquidation on the home realty market, he said. Insurance companies are specifically named as qualified borrowers. The system provides a potential 50 percent liquidity for a portfolio of mortgages on small homes.

State legislative action in 1932 was less voluminous than violent, he reported. The A. L. C. executive office examined 3,000 bills, reporting on 675. Only 86 directly or indirectly affecting life insurance became law. Eight states introduced bills to increase premium tax. Louisiana increased the rate to an average of more than 17/10 percent. Mississippi increased the rate from 2 percent to 2½ percent. There were 51 income tax bills introduced in 16 jurisdictions, and eight passed. There were 41 bills bearing on old age pensions in Congress and seven states, but only a few of minor importance passed. Old age pension laws have been adopted previously in 15 states and two others have welfare laws which contain pension features.

Next year will witness the most active legislative year for a long time, with legislatures in regular session in all states

Company President In Budget Control Talk



ADOLPH A. RYDGREN, Wilmington, Del.
President Continental American Life

except Alabama, Kentucky, Louisiana, Mississippi and Virginia, and special sessions in some of these. The full force of tax unrest may be expected to be felt, with two tendencies clearly defined: 1. The raising of new taxes for various relief plans and for meeting the increasing difficulty of budget balancing, and 2, the shifting of old taxes from protesting taxpayers in one class to the less wary or less organized taxpayers of another class.

Judge Elliott said the tendency is away from levies on real estate, particularly farm land, and points toward excise, license and income taxes. A great danger lies in the application of income taxes which do not restrict themselves to actual net profit; which take no count of liabilities to be set up for expenses or losses, a trend which vitally affects life companies.

Notes Definite Decline in Policy Loan Demand

Judge Elliott said there are unmistakable signs of decline in the abnormal demand for policy loans which appeared in the latter part of the convention year. The companies recently have been required to supply more than \$500,000,000 a year under this item, the high point in policy loans for all time. Judge Elliott said policy loans increased persistently in ratio to admitted assets from 5¼ percent in 1902 to 12 percent in 1910. All loans in 1910 were much less than the net increase last year.

Adoption of the 60- or 90-day deferment clause appears to have been only a minor deterrent of loans. The clause has not been generally invoked, even in the last few years. Mr. Elliott referred to discussion of higher and longer surrender charge as a means of discouraging policy loans. Rewriting policies has forced itself on the attention of most companies as a direct result of the wave of policy loans.

Disability and Suicides Present Grave Problems

The average rate of interest earned on invested assets, excluding policy loans, will show some decline this year, and probably next year. Investment expenses have increased materially and foreclosed real estate is not now generally productive. Many companies have reduced dividends on participating business and other reductions are in prospect. This trend may serve to transfer emphasis from net cost to stability and security, he said.

Total and permanent disability losses continued in comparatively large volume

(CONTINUED ON PAGE 19)

STURDY STABILITY . . .

DEPENDABILITY
is taking a new and deeper
meaning these days . . .

THE INVESTOR . . . is finding it in life insurance as he never before realized.

THE LIFE INSURANCE AGENT . . . finds the dependability which he demands in the Company with

1.
Seasoned Management able to provide a
2.
Straightforward Agency Program—with a
3.
Company whose set-up positively assures the permanency of the Company.

DANIEL BOONE
President

Midland Life Insurance Company

Armour Boulevard at Main Street

KANSAS CITY

MISSOURI

Management Group May Be Shelved

Many Feel Home Office Management Association Covers Field Completely

THREE 'SPEAKERS' HEARD

J. B. Slimmon, A. A. Rydgren and E. G. Brown Deliver Addresses Before the Section

From all indications the Home Office Management Section will be discontinued. This section was started more or less as an experiment but there does not seem to be sufficient interest to continue it. The Home Office Management Association covers the ground completely and its programs are of such great worth that the American Life Convention executive committee evidently feels that it can devote itself to other activities that will excite greater interest.

Domelle Presides at Management Section

The section had its meeting Thursday afternoon following the address of Dr. H. B. Anderson of the Imperial Life as a representative of the Medical Section. J. H. Domelle, secretary of the Canada Life, presided as chairman of the Management Section. W. N. Bagley, assistant actuary of the Travelers, is secretary of the section. There were three papers presented, each speaker dealing with his subject in connection with his own company.

J. B. Slimmon, secretary Aetna Life, outlined the practice of that company in dealing with salient features concerning its own office staff. There are 2,350 people connected with the Aetna Life organization of which 752 are employed in the life and group departments. He said that the company is seeking greater efficiency, better quality of employees and through higher ability to lessen the number of employees and to pay those higher salaries.

Budget Control Plan of the Continental American

President A. A. Rydgren of the Continental American Life explained the plan followed by his company with budget control. He said that with a carefully planned budget, expenses will be held down. Frequently additional sources can be found for more revenue. He said that the Home Office Management Association estimates that there should be one clerk for every \$1,250,000 insurance in force. In case of his company there is one for each \$2,000,000. He said that his officials decide what the net cost to policyholders will be and then ascertain how much can be allotted for expenses. The Continental American has two budgets, one for agency expense and one for home office. By careful study his office was able to ascertain the time factor for each operation.

Mr. Rydgren said that undoubtedly there will be further reductions in policyholders' dividends. This situation is unavoidable and companies therefore must make drastic reductions in expenses.

E. G. Brown of Dallas, vice-president and actuary of the Southwestern Life, gave important facts regarding the auditing practices with his company. The Southwestern has \$200,000,000 in force and is licensed only in Texas. It has eight branch offices. The home office looks after all collections.

U. S. Chamber Men Review Nation's Financial Issues

At the opening session Thursday President Laird called on President Lee J. Dougherty of the Guaranty Life of Davenport to extend the greetings of the United States Chamber of Commerce, of which he is a director. He read a letter from the president of the chamber expressing his confidence in the American Life Convention. Mr. Dougherty said the United States Chamber started the movement to reduce the federal tax burden and it is still on the job in that direction.

John J. O'Connor, manager finance department of the U. S. Chamber, was the first set speaker Thursday morning, his address being the presentation of the Financial Section to the general program. He said in the field of federal revenues the country faces an unhappy but, he believes, a controllable situation. He said the country must struggle for a substantial balance between receipts and expenditures in the face of emergency demands for sufficient revenues, already high taxes, increasing debt and an unsatisfactory revenue system. He said the U. S. Chamber committee has indicated directions in which at least \$400,000,000 could be cut from appropriations for veterans' benefits alone. Speaking of the manufacturers' sales tax, he said there is favorable sentiment for it but he doubts the wisdom of it. He said that in its adoption the country is courting the danger of providing simply another means of producing revenue and another encouragement to greater expenditure without relief of income tax or some of the special excise taxes.

Parker Touches on Many Important Phases of Business

J. G. Parker, actuary Imperial Life of Toronto, was introduced by President Laird as an actuary of international renown. He is a former president of the American Institute of Actuaries. President Laird said that Mr. Parker had just had his tonsils removed so that the flow of eloquence would not be interrupted. He touched on many of the subjects engrossing the minds of officials such as decreasing new business and reduction of insurance in force, policy loans and surrenders, investment questions, mortality, conservation, stricter underwriting rules, agency problems, surplus and contingency reserves. He stated that undoubtedly the writing

of annuities and higher priced investment policies will require companies to maintain a larger percentage of very liquid assets. He said that undoubtedly companies will have to require higher surrender charges, especially to the tenth policy year.

Merle Thorpe of Washington, D. C., editor of "Nation's Business," gave an address on business conditions in which he injected many refreshing stories and considerable wit.

Thorpe Finds Hopeful Signs of Better Feeling

"For the first time in three years of depression a hopeful sign has appeared. From every section there are reports that there is a 'better feeling.' Such sentiment must precede business activity. Professorial pessimists are saying that there is no basis for such sentiment, that earnings are still off. They would have business activity precede better sentiment, which, of course, is foolish. In every depression the up-turn has been anticipated by this better sentiment we observe today, which translated means confidence and faith in the future, which in turn means a return to normal chance-taking, normal buying and selling.

"We complain because there is no leadership. We say that political leadership has failed, and that industrial leadership has failed to get us out of our troubles, and some advocate a change in our industrial system? Capitalism has failed, they say. But what great plan of politician or industrial captain has brought us out of other depressions? History—I have diligently searched its pages—chronicles no such panacea. The reason is that in a democracy the leadership is at the grass-roots and cross-roads, and today, as in the past, quietly and unheralded, in the offices and plants of 2,500,000 businesses not listed on the New York Stock Exchange adjustments are taking place, expenses are brought within income, and plans are made for the immediate future.

"For three years fear has been in the saddle. That fear is evaporating. In its place is appearing some of the old-time courage and resourcefulness which has made America the envy and despair of the older nations. Soon the two great wheels of production and consumption will be rolling again."
(CONTINUED ON LAST PAGE)

Sees Harm in New Rewriting Plans

Fears Scheme to Cancel Loan Will Bring Twisting of Own Business

VIEWS OF J. G. PARKER

Actuary of Imperial Life Observes and Criticises Many Current Insurance Developments in A. L. C. Talk

J. G. Parker, actuary of the Imperial Life of Toronto, in his address before the American Life Convention, viewed the life insurance field comprehensively, betraying interesting and positive reaction to practically all of the major problems in the business, engrossing executives today.

Mr. Parker said that the surrender values for most companies in the early policy years are decidedly too high. He viewed with alarm the experiments of canceling encumbered policies and issuing new insurance for the amount of the original contract less the loan without asking for evidence of insurability, and paying a modified scale of commission on such business. He said that reduction in the dividend rate or increase in premiums is of small moment as compared with the maintenance of the high standard and solvency of securities. He predicted that in the future both participating and nonparticipating companies would increase their margin of safety and will create a public opinion that will prevent any general move to reduce that margin. The high regard in which life insurance is held will have been still further augmented by the experience of the last two years, he predicted. The agency forces, he said, will have been strengthened by the elimination of many of the weaker agents, the strengthening of the stronger men and the addition of many worthy salesmen.

Surrender Charge Boost Wouldn't Harm Production

Mr. Parker expressed the belief that increase in surrender charges would not be an obstacle to the production of new business. The companies now, with lower values, have not noticeably suffered in production, he said.

The bright side to the heavy surrenders of the last few years, according to Mr. Parker, is that the facility with which the policyholder was able to get the funds has promoted a feeling of good will, which will redound to the benefit of insurance in the years to come.

Many methods of attacking the problem caused by the great number of policy loans have been attempted, Mr. Parker pointed out. One of the methods is to cancel, rewrite for the face of the policy less the loan, without medical examination and paying commissions.

"It seems to me that this particular method of dealing with the situation is fraught with the greatest danger," Mr. Parker declared. "It would necessitate a stricter control of our agency forces than many of us possess. It would necessitate a stricter self-discipline on the part of every agent than we might have the right to expect in the ordinary man. It might readily prove to be the means of creating an era of twisting the company's business within the company's own ranks which it might take years to eliminate." He said that the experiment will be watched with much interest.

Mr. Parker mentioned the increase in
(CONTINUED ON PAGE 14)

Home Office Management



J. H. DOMELLE, Canada Life
Chairman



W. NELSON BAGLEY, Travelers
Secretary

New Plans

Loan Will Own

PARKER

Reserves and Insurance C. Talk

the Imperial dress before tion, viewed prehensively, positive reac-major prob-ssing execu-

e surrender in the early o high. He eriments of es and issa- amount of e loan with- insurability, of commis- e said that rate or in- all moment ntenance of ency of se- n the future participating heir margin ublic opinion al move to high regard ld will have by the ex- ars, he pre- ne said, will the elimina- agents, the er men and y salesmen.

on belief that rges would duction of s now, with iceably suf-

avy surren- , according facility with able to get feeling of und to the e years to

g the prob- mber of pol- mpted, Mr. f the meth- or the fac- without medi- g commis-

s particular situation is anger," Mr. necessitate ency forces It would discipline on n we might e ordinary e to be the twisting the the com- might take id that the with much

increase in E 14)

Coler Leads Group Insurance Parley

(CONTINUED FROM PAGE 2)

company had made a survey of three classes of groups, first Prudential employees, secondly the A. T. & T. group and thirdly all other salary savings groups. He said that the lapse rate in the Prudential and other groups is heavy. The A. T. & T. experience on both lapse and mortality is satisfactory.

Response from Manual Labor Class Impossible

B. H. Mitchell, Texas Security, said that his company has the opportunity of working in conjunction with the Texas Employers which writes compensation insurance. In the last year or so the industrial classes have been insecure due to the uncertainty of their jobs. There is much unrest in the class. He said during the last two years it has been almost impossible to get a response from the manual labor class. He feels that it is impracticable to secure this association business through the regular agents.

O. J. Lacy, Minnesota Mutual, said that its salary savings groups are now pretty well standardized and the policies are on the ordinary life basis. Miles Schaeffer, United Benefit Life of Omaha, declared he could not figure out any way to make the salary savings plan satisfactory.

Mr. Coler said that a committee from his company is reviewing its salary savings and other special coverage groups. He hopes the company will withdraw from this field.

Mr. Mitchell said that in order successfully to write association groups, a company must get full cooperation from the management. He said that in his case the life company knows before hand the experience of an industrial class through the Texas Employers on its compensation insurance. Where the Texas Employers' experience has been bad the life company keeps off. For instance, he said the life company would not write oil groups.

Leaver Tells Provident Life & Accident Results

J. P. Leaver, Provident Life & Accident, said that his company had had a long experience in the payroll deduction plan in accident and health insurance. Companies in soliciting association groups, he said, had emphasized the benefit to employees and especially industrial employees. Through this plan it was hoped to swing employees that ordinarily would buy industrial insurance. He said that unless there is complete cooperation from the management no association should be touched. The American T. & T. experience and plan have been used as an example. He said that where a group is insured his company insists on the white collar employees coming in with the industrial. He said that the mortality and lapse rate have been favorable with his company because a proper selection has been used. He said that the Provident takes employees on the salary savings plan on the same basis as nonmedical. The minimum premium is \$3 per month.

The question was raised as to whether there had not been a severe mortality on officials or those high up, in group contracts because they were permitted to take comparatively large amounts of insurance. Mr. Dunlap said that the maximum has been entirely too high. The maximum limit is now \$20,000. Mr. Howell said the Prudential's limit is \$10,000 unless it is forced in competition to increase the limit. The lower the schedule the more satisfactory will be the experience. He said that when group insurance was introduced it was a plan to reach the rank and file. There was no thought of favoring executives. It was not intended to take the place of level premium insurance. It simply allowed the employer to help employees carry more insurance than they otherwise could under regular rates. He said

that in his opinion group insurance ultimately will be confined to a flat schedule with a maximum of \$5,000.

Mr. Wood said that under the old group policy, disability claims came thick and fast. Under the new rule the disability provision is practically an extension of the death benefit. If, for instance, a person has been employed seven months and disability is incurred, and he is off the payroll and dies before the seven months subsequent, the insurance company will pay the death claim. There is a year limit on this extension, but before the year is up a policy can be converted to an ordinary life and its disability provisions will apply. He said there were many false disability claims coming up and the companies in almost all cases were compelled to pay them. Some companies have tried to revise their old group contracts according to the new disability rule, but in most cases he thinks old contracts will be renewed on an existing basis. He said that these disability claims have increased the cost and employers are interested in holding down the cost. Hence some employers want the new disability rule to apply. Some companies will charge an extra rate if the old provision applies.

O. P. Grant, Life & Casualty of Nashville, said that in writing group insurance the plan should be an end in

itself and not a means to a larger end. He said that his company had found group insurance does not stimulate industrial or ordinary. Mr. Howell said that the Prudential felt that in offering a complete line of coverage it gave more prestige to its ordinary men.

Actuary E. G. Brown of the Southwestern Life brought out the fact that the mortality on converted group policies is very high. Mr. Dunlap said that the Group Association had combined the experience on converted policies from 1915 to 1931. The mortality ratio on the first year conversions was 301 percent, the next year 219 percent and from that point graduated downward.

A. G. Ramsay, assistant general manager Canada Life, said that it had been very satisfactory from the sales end for his company to join the Group Association. Its agents know that there are definite rules which must be adhered to. There are rates established and practices standardized. These have been based on comprehensive discussions and much experience. When competition is encountered, Mr. Ramsay said that he tells his men that there will be no yielding. Either the case must be gotten on the regular basis or it is passed up.

Samuel M. Hollander of Newark, N. J., well known attorney who specializes on insurance law, attended the meeting.

Separation of Interests Is Agreed on at Convention

John J. King, president of the Hooper-Holmes Bureau following discussions at the American Life Convention meeting at Toronto, announces plans for the separate operation of mid-western, southwestern and Pacific coast offices beginning about the middle of 1933. The offices in these sections for about the past 15 years have been operated jointly with the American Service Bureau.

Changes Proposed Were Said to Be Unsatisfactory

Certain changes were proposed in the management of this group of offices as a condition to the renewal of the joint contract for the year beginning July 1, 1933. These changes in management were not agreeable to the American Service Bureau and consequently a decision to execute a friendly separation of interests was arrived at.

These plans in no way affect the bureau operations in the east but will simply bring the bureau operations in the west and south under the more direct supervision of the Hooper-Holmes Bureau management.



CO-OPERATION

Practical, Profitable Assistance

The progressive agent is coming to understand more and more the practical help his company can render.

The day is here when a good agent will carefully investigate company co-operation before making a connection.

Continental co-operation is practical, profitable, profound. It will weather the most exacting scrutiny. Its completeness is both evidence of Continental DURABILITY and a guarantee of agency progress.

CONTINENTAL CASUALTY - ASSURANCE COMPANIES
CHICAGO ILLINOIS



INDIANAPOLIS LIFE INSURANCE CO.

The Indianapolis Life Insurance Company was organized as a Mutual Company, and launched on its career of usefulness without any promotion expenses whatever.

As a preliminary step to the organization of a Mutual Legal Reserve Company, the Indiana law requires that not less than two hundred fifty bona fide examined paid applicants for life insurance be secured, and \$25,000 deposited with the State as a guarantee of good faith. The Officers and Directors loaned the Company the \$25,000 at 6 per cent, which money was to be paid back out of future earned surplus. It has long since been returned. The two hundred fifty members were obtained without promotion expense. There was no office, no telephone, no clerk; not even a letterhead was printed until the Company began issuing Policies, and then only one small office and one girl at ten dollars a week.

That was in 1905. The Company was successful from the start. It now has over \$100,000,000.00 of fine quality insurance in force, is operating in ten states, has a fine agency organization, and occupies its own permanent home, one of the most beautiful locations in the Country, and purchased at a very reasonable price—\$150,000.00.

Its stated object was to furnish Life and Endowment Insurance at the Lowest Possible Cost. The business of Life Insurance was soundly established; its fundamental principles were clearly defined. There was no necessity for new experiments. The Company made none. It adhered strictly to the course tested and followed by the best companies. It avoided the mistakes and practices that resulted in waste of the Policyholders' money. The organizers were convinced that by sound principles and practices and careful conscientious management, a generous reduction in premium rates was possible.

The Company's dividend record all through will compare favorably with the best Companies in the Country. From the very start, it has given to Policyholders liberal ANNUAL dividends and seven EXTRA dividends. The Company has never departed from its original purpose, and has never entered any race for mere size. Our watch-word has always been, "How well may we serve" rather than "How Many" and always Safety First. Our Company enjoys a very large patronage in its home city, a fine endorsement where best known.

We have experienced Low Mortality, an average of only 40% of the expected from the Company's inception in 1905.

We have a well organized field organization, carefully selected and trained to serve the Policyholders promptly and efficiently.

The Company does not issue sick benefit, health or accident insurance. Its business is Life and Endowment Insurance.

The Indianapolis Life has lived up to its promises. It has the confidence, co-operation and good-will of its Policyholders, and it is still guided by the Officers who started the Company twenty-seven years ago.

Frank P. Manly,
President.

We offer Managers and Special Agents liberal first year commissions and renewals. We give as much territory as can be profitably handled, and have experienced field supervisors to help develop new men. We give special agent's contracts direct with the company. We make our appeal to the type of men who have faith in the business of life insurance and in their own ability to develop a permanent place with cumulating income for themselves. In Indiana, Illinois, Michigan, Ohio, Texas, California, North Carolina, Iowa, Minnesota and Florida.

For Agency address Home Office

Canadian Official Talks to Lawyers

Richard F. Baird of Lincoln National Elected Legal Section Chairman

BROSMITH IS SECRETARY

Revision of Incontestable Clause Endorsed—Notables Attend Luncheon—Ontario Industries Discussed

NEW OFFICERS ELECTED

Chairman—Richard F. Baird, General Counsel, Lincoln National Life.
Secretary—Allan E. Brosmith, Attorney, Travelers.

At the Legal Section luncheon Monday, Allen May, chairman, presided. The speaker was Charles McCrea, minister of mines in Ontario, who substituted for W. R. Riddell, justice of the Ontario supreme court, who was ill. The section voted to send regrets to Justice Riddell on account of his illness and their hope for his early recovery. There were at the speakers table John M. Laird, president American Life Convention; R. F. Baird, secretary Legal Section; Insurance Superintendent R. Leighton Foster of Ontario; President C. S. Macdonald, Confederation Life; J. F. Weston, managing director Imperial Life; Albert Mitchell, general manager Canada Life; J. W. Simpson, superintendent of agents Sun Life.

Three Basic Industries in Ontario Says McCrea

Mr. McCrea is an attorney and has been nine years a member of the government of Ontario. He spoke of three basic industries of Ontario, agriculture, forestry and mining. He said that the province is now seeing to it that mines are developed in areas in the northern part. Much gold and silver is being extracted. In fact its gold production now passes that of the United States. He said that this year gold output will reach \$55,000,000. The mining industry and especially the securing of gold is a back log in the economic depression. Such metals as ignite, gypsum, nickel and so on are being mined. Ontario is now producing 90 percent of the world's supply of nickel. He said that power is being developed in the mine districts so that it is comparatively cheap in price.

At the close of the last session F. V. Keesling, West Coast Life presented his report on the revision of the incontestable clause which was adopted and was referred to the proper governing bodies.

F. J. Wright, Midland Mutual, chairman committee on resolutions, presented memorials on the death of G. A. Deitch, vice-president and agency director Reserve Loan Life; C. B. Welliver, American Central Life and R. A. Brown, American Union Life. The committee announced that flowers and greetings were sent to Justice Riddell.

President J. M. Laird of the American Life Convention paid tribute to Vice-President F. V. Keesling of the West Coast Life who was chairman of the program committee. He said that it was a well rounded program and most appropriately arranged. He called on Mr. Keesling to rise and a was given a cordial and.

Nelson B. Hadley, chief life examiner of the New York Insurance department, attended the convention.

A. F. Coyle, Columbus, Ohio, vice-president American Insurance Union, religiously attended every open session.

Great Growth in Aviation Transportation Predicted

The development of aviation transport service was told by T. Park Hay of the Transcontinental & West Air, Inc. Aviation is now a \$500,000,000 industry and is destined to affect every line of business. There are now 297 cities served directly by scheduled airlines and nearly half a million people traveled by air in the United States in 1931. Speed is the greatest asset of the airplane. Forty percent of the passengers are business executives and 40 percent salesmen who need to save time. He predicted that by 1937 there would be over 2,000,000 air passengers a year and air transport lines will handle over 5,000,000 pounds of express annually.

Canadian Carriers Hosts at Golfers' Dinner Tuesday

At the golfers' dinner Tuesday night the Canadian companies were hosts to a spiritual repast prior to the dinner proper. Dr. H. W. Dingman of Chicago, vice-president and medical director of the Continental Assurance presided as toastmaster. He called on all Canadians to rise, all former Canadians, all those born across the water and all native Americans.

Brief talks were made by President C. S. Macdonald, Confederation Life of Toronto; Insurance Superintendent Foster of Ontario; General Manager Byron K. Elliott, American Life Convention; President J. B. Reynolds, Kansas City Life and first president American Life Convention; H. M. Woollen, president American Central Life; E. G. Simmons, vice-president Pan-American Life and H. L. Seay of Dallas, president Southland Life.

Prominent Men at the Speakers' Table

At the speakers' table were Vice-president and General Counsel F. V. Keesling, West Coast Life of San Francisco and president Association of Life Insurance Counsel; A. N. Mitchell, general manager Canada Life; J. F. Weston, managing director Imperial Life; R. L. Foster, Ontario insurance superintendent; J. W. Simpson, superintendent of agents Sun Life; John M. Laird, vice-president Connecticut General and president American Life Convention. James Fairlie, Springfield, Ill., vice-president Abraham Lincoln Life, golf tournament chairman, awarded the prizes as follows:

Oden Has Low Gross Golf Score

Low qualifying gross, Howard Oden, North American Reassurance of New York with a score of 85.

First flight—O. H. Mitchell, Texas Security, first, and W. P. Stevens, Scranton Life, second.

Second flight—Ben S. Graham, Brooklyn Life, first; J. J. Moriarty, Missouri State, second.

Third Flight—A. J. McAndless, Lincoln National, first; Ben S. Beecher, Stonewall Life of Vicksburg, Miss., second.

Fourth flight—Jack Roberts Hann, Otis Hann Company of Chicago.

Consolation handicap—C. H. Voorhees, Connecticut General, first; Allen Spencer, Retail Credit Company, second.

Putting contest—George Graham, Central States Life, first; Ben S. Graham, Brooklyn Life, second.

Program Chairman



FRANCIS V. KEESLING, San Francisco

Vice-president F. V. Keesling of the West Coast Life was the program chairman this year. He did a most excellent job because it was not overloaded. Mr. Keesling was reelected on the A. L. C. executive committee. In the Legal Section he presented the report of the special committee on the revision of the incontestable clause, he being its chairman. Next year Mr. Keesling is slated to be the A. L. C. president.

Canadians Welcome Company Gathering

(CONTINUED FROM PAGE 1)

President Laird referred to Mr. Moore as the "friend of all actuaries." He gave the official greetings of the Canadian companies.

R. Leighton Foster, insurance superintendent of Ontario, who addressed the convention at its Detroit meeting, gave the welcome for the province. President Laird in introducing him said that he was as well known in the United States among insurance men as he is in Canada. He said that Mr. Foster is so popular in the United States that a large number of insurance men call him by his first name. Mr. Foster was on the job at all times looking after the welfare of the visitors. In addition to his address of welcome he commented on Canadian conditions and compared the governmental system of Canada and the United States. He paid a high tribute to the work life insurance has done during the last three years.

Boone Presides While Laird Gives His Address

President Laird called on Leighton McCarthy, president Canada Life, to introduce Superintendent George D. Finlayson of the Dominion of Canada. Mr. McCarthy served in the Canadian house of commons for 10 years and has always been prominent in public activities. Mr. Finlayson has held his office since 1914. He stressed the desirability of greater safety in life insurance investments. He said that, unfortunately, a sweetening process has been introduced in many bonds which gave them a speculative appeal. The word "bond," he said, should be restored to its former pedestal of dignity.

Daniel Boone, president Midland Life of Kansas City, a member of the executive committee of the American Life Convention and its budding president at that time, he to be inducted into office that evening, was called to the platform to preside while Mr. Laird gave the presidential address.

Mr. Laird said that many new prob-

lems have been injected into life insurance because of the depression. For instance, total and permanent disability became a critical question with companies. Double indemnity, he said, involves problems not found in life insurance proper. Officials, he said, can learn much from accident companies on disability and double indemnity. During the economic storm, Mr. Laird said, thousands of policyholders have fallen back on their life insurance as the last line of defense. He feels that too much emphasis has been placed on surrender values and loans. Companies, he said, will feel obligated to keep a larger percentage of their assets in very liquid securities. This will mean reduced interest income. Mr. Laird said that greater security will be stressed in the selling of life insurance from now on rather than net cost. Companies writing mutual policies, he predicted, will have to readjust dividends to comport with modern conditions. He also gave it as his opinion that the non-participating companies will increase their rates from age 45 up.

Mr. Laird's address was comprehensive and touched on vital questions of interest to all in the business. He left a deep impression and the audience gave him an ovation.

Manager and General Counsel Byron

K. Elliott gave his report, reviewing the highlights of the year and the accomplishments of the organization. President Laird brought out the fact that Judge Elliott was introduced to the fraternity three years ago in the Royal York hotel when the insurance commissioners were meeting there. He had just entered on his new duties as successor to Claris Adams. Judge Elliott, in calling attention to the appropriateness of the organization meeting in Canada, said that President Laird is a native of the Dominion, as is also Dr. H. W. Dingman of Chicago, chairman of the Medical Section. J. H. Domelle, chairman of the Home Office Management Section, is secretary of the Canada Life and the new chairman of the Financial Section, C. S. Macdonald, is president of the Confederation Life of Toronto.

Presidents' Association Delegates Were Received

At the beginning of the afternoon session Wednesday President Laird introduced Alfred Hurrell, vice-president and general counsel of the Prudential, as the "vice-president of the Rock of Gibraltar." Mr. Hurrell was chairman of the Life Insurance Presidents' delegation. In addition to him, Vice-President P. M. Fraser, Connecticut Mutual Life; Major Andrew E. Tuck, assistant secre-

tary Equitable of New York, and Vice-President G. L. Williams, Union Central, were delegates. Mr. Hurrell is Canadian born and was formerly general counsel for the Life Presidents Association. He said that all people are asking "What about the future?" The cost of government is growing and people are wondering what its effect will be upon them. Governments are putting such a charge on citizens that some readjustment will be necessary. Life insurance, he said, could stand united against any further inroads on it.

Steps in Evolution of Life Insurance

C. C. Thompson of Seattle, manager Metropolitan Life and president National Life Underwriters Association, spoke for that body. He also stated he represented the Canadian Life Underwriters Association, he being its honorary vice-president. Mr. Thompson said the confidence that policyholders have in companies should be reflected in the field and agents must maintain that same confidence. He spoke of the replacement practice and said that his organization has gone on record against agents replacing existing insurance of real value with other insurance.

In the development of life insurance, he said, the first step was the creation



National Life Insurance Co. of the U. S. of A.
A. M. Johnson, Chairman of the Board.

Greetings to the American Life Convention

A FINE OLD COMPANY FOR AMBITIOUS YOUNG MEN

Established 1868

NATIONAL LIFE INSURANCE COMPANY of the UNITED STATES OF AMERICA

Robert D. Lay
President

Walter E. Webb
Executive Vice-President

29 South LaSalle Street, Chicago

Thirty-Two Years Ago on May 5, 1900 The Federal Life Insurance Company

Commenced operating as a Life Company under the supervision of

ISAAC MILLER HAMILTON, President

Who has been at the helm during this entire period

This year, 1932, the Federal celebrates the Twentieth Anniversary of its Accident and Health Department and closed the year 1931 with an Accident and Health premium income of

\$2,752,202.00

Many changes have taken place in the business of Accident and Health Insurance during these two decades. Twenty years ago the automobile was a novelty and the problem of automobile accidents was of trifling importance.

IN 1931

The Federal paid claims for automobile accidents totaling

\$1,004,595.02

Total Accident claims in 1931

\$1,369,879.09

Claims paid for sickness during 1931 amounted to

\$393,494.10

Total payments to policyholders since organization over

\$33,000,000.00

Including Life policy payments

All standard forms of Life, Accident and Health insurance including Non-Cancellable Policies—Regular—and for automobile accidents, Monthly Premium policies, including an old-time Low Cost Policy at one dollar per month up.

Liberal Life Policies—Endowment, Term policies and a new Life Expectancy form. The popular Family Income plan and a remarkable new Life policy at \$2.00 per month and up.

A "Human Being" Insurance program for live salesmen
Information on request

Federal Life Insurance Company

ISAAC MILLER HAMILTON, President

CHICAGO

of sentiment. Next came the emphasis on the legal reserves which insure insurance. Therefore, surrender and loan values came to the front. The third step, he said, must be the preservation of the legal reserves. The National association, he said, has appointed a standing committee on conservation. After all, he declared, what is best for the policyholders is best for life insurance. He feels that the tendency of life insurance salesmen is toward the professional attitude.

President Thompson said there are now 560 people who have the C. L. U. degree. There were 638 who took the examination last year. He stated that the association is committed to the better education of agents. The men in the field, he asserted, are endeavoring to get the public life insurance minded. There are 237 local associations and they are doing much to elevate life insurance along constructive lines.

President H. A. Behrens Was Convention Speaker

President H. A. Behrens of the Continental Assurance and the Continental Casualty of Chicago was the first set speaker. He came up through the actuarial ranks, starting with the old Conservative Life of California and later going with the Pacific Mutual Life. In his talk on the reserve power of life insurance, Mr. Behrens said that much stress has been laid on the financial advantages. People realize that it helps them to meet their material objections. He spoke, however, of its psychological effect on the character of individuals. It stimulates systematic saving and thrift and therefore gives stability to character. It engenders civil and moral responsibility. He said one of the great contributions of life insurance policyholders will be to the advancement of civilization. He said that life insurance seeks to perpetuate that society whose aim is to do the greatest good for the greatest number. Therefore he finds that the greatest contribution of life insurance is along moral and spiritual lines rather than financial.

Progress Made in the Field of Aviation

The first outside speaker was T. Park Hay of New York City, associated with Transcontinental & Western Air. He said that life insurance has done much to encourage aviation. He presented a series of charts to show the trends in air traffic. Aviation, he said, is giving its attention to services of a material nature in the handling of passengers, mail and freight.

Mr. Hay said that if policyholders knew what rights they had under their contracts in traveling along uniform air lines, it would eliminate much confusion. He said that evidently there is no uniform practice. Some companies allow a policyholder to take a certain number of trips a year, and the question is "What constitutes a 'trip'?" Mr. Hay said that the Aeronautical chamber of commerce will be glad to bulletin life companies or organizations to let them know what the industry is doing to make traveling safer. He predicted that within the next two years the air people hope to conquer fog by an intense penetrating light. He said that airplane people will take more chances where only mail and freight are carried than where passengers are concerned.

Compensation Rate High Where Flying Involved

Mr. Mitchell of the Texas Security Life said that the workmen's compensation rate in his state is so high where air travel is concerned that houses will not allow salesmen to use the air facilities.

President Henry Moir of the United States Life declared that the airplane people evidently confused accident with life policies. When a life policy is issued, Mr. Moir said, a man can travel in the air at his own pleasure. There are few life contracts that make any restrictions.

Sees Harm in New Rewriting Plans

(CONTINUED FROM PAGE 10)

mortality ratio, which is blamed largely on deaths from suicide and cardiovascular disease. The rise in mortality is particularly evident in the early policy years. That has had a profound effect upon selection and methods of underwriting. All companies today, he pointed out, are unwilling to accept risks which two or three years ago would have been accepted without much question. Jumbo risks are carefully avoided. There must be established a definite relationship between the amount of insurance and the financial condition of the applicant. In large cases, the applicant must submit to much more searching examination than heretofore. "It is the hope of every man in this business," Mr. Parker declared, "that our selection can hereafter cope with the problem of successfully underwriting risks for large amounts of life insurance."

Financial stress, he said, has made available for life insurance work many brilliant men who a few years ago were attracted from life insurance to the realm of finance.

The companies, he pointed out, have been compelled to carry an organization in some parts of the country where the low price of basic commodities has made it almost impossible to sell new insurance or even collect renewals. In such districts, companies have had to make some concessions from the possibly hitherto iron-bound policy as to advances and financing of agents.

Greater Agency Turnover Because of the Pressure

Increased pressure has been put upon the agency force to get an amount of business corresponding to that which was produced in the same locality in previous years. This has resulted often in a more rapid agency turnover but the weaker men have been eliminated from many organizations and men who will ultimately be successful agents have been strengthened greatly.

The ordinary investment procedure of life companies has been modified, Mr. Parker pointed out. Usually life insurance companies make investments for long terms without having in mind the ready saleability of securities. Now, however, companies are forced to carry large cash balances or invest in short term securities which have at all times a ready cash market. That circumstance will have an effect on the rate of interest earned as compared with previous years, he pointed out. However, he declared, there has been a let up in policy loans and there is a tendency now for companies to revert to their former investment program.

Position About the Same As at Close of the Year

Although there has been an improvement since July, the market value of life insurance company investments is not greatly improved as compared with the close of 1931. Many companies have a greater amount of foreclosed land, have greater difficulty in collecting interest and charges on mortgages, have a greater amount of bonds or debentures in default. Although the position of the companies is sound, all of these factors have an influence on the amount of free surplus which should be held.

Mr. Parker mentioned the tendency toward purchase of short term endowment insurance, pure endowment policies and deferred annuities with cash options at maturity and with large surrender values throughout the deferred period. The sale of these forms, he pointed out, will force the companies to maintain a more liquid cash position than in former years. It will affect the investment policy and the training and personnel of the agency force. There is a probability of difficulty in reverting to the selling of life and protection policies as in former years.

Many Investment Issues Reviewed

(CONTINUED FROM PAGE 6)

logical condition and may or may not auger well for the future. In Great Britain industrial conditions have slightly improved. He feels that there is a gradual flattening out of the curves that have run upward for a long time. There are indications of better conditions in some lines but they seem to be offset by worse conditions in others. He said that it is difficult to put one's finger on any definite improvement or to determine when times actually become better.

He asked whether there would be a recurrence of another crisis. He wondered whether people can look forward to business improvement or whether there will be further disintegration. He called attention to the increasing burdens of government. If there were a lessening in expenditures in this regard some burdens would be eased. He finds improved prices in securities but no great change in commodity prices. He said that the long decline in business operations seems checked.

Improvements Rather Than Diplomatic Victories Sought

Dr. Hettinger said that the people at large are seeking national and international improvement rather than diplomatic victories. There are some governments that are very unstable and there is danger in an outbreak in some of these. He said there is entirely too much burden resting on the people for the conduct of governmental activities. If it were possible to get relief from taxation and other government exactions people would be able to accomplish more. It is difficult, he said, to appraise political factors in business. International trade restrictions in the way of high tariffs and other obstacles have been of great disadvantage to business recovery. He said that recovery in international circles is slow if not impossible if governments seek to retard natural flow of goods and credit. Dr. Hettinger said there must be world improvement if there is improvement in the United States. There is too much unemployment and that is a disturbing factor. To bring about a return of prosperity there must be large amounts of money available for long term loans so that concerns can expand.

Activity in Heavy Industry Is Needed

The speaker said that the bond market had expanded to some extent, but not enough to justify any great expansion on part of industry. There must be conditions that will bring about activity in heavy industries before there is a major forward trend. The buying power of consumers has not greatly increased.

Dr. Hettinger expressed the hope that commodity prices had seen their lowest pitch. He regrets to find some parts of the world decidedly disturbed and out of which great trouble may ensue which will affect all nations. He expressed the hope that foundations are being laid for better business in the spring. Corporate profits so far are small and often nil. He said that common stocks reached their lowest point in June and July. He stated that in his opinion we are in the last stages of the depression.

BroSmith Tells of Mortgage Foreclosures

Allan E. BroSmith of Hartford, attorney for the Travelers, spoke on some of the problems confronting companies in foreclosures on mortgages thus coming into possession of real estate in considerable quantity. Some states have statutory or constitutional provisions setting a maximum time for the holding of such property. Other states have no such restrictions but some have retali-

tory laws which would come into play if commonwealths started to force companies to sell real estate. The states that have restrictions differ in their scope. Mr. BroSmith said that in Oklahoma an effort was made to amend the constitution so that the time for holding real estate might be extended but the movement failed.

E. B. Raub, Jr., of LaFayette, Ind., associate counsel of the LaFayette Life, commented on the proposed uniform mortgage provisions gotten out by the National Conference on Uniform State Acts. He said there is a great variety of mortgage and foreclosure laws. Speaking of mortgage loans he said they have always been considered conservative.

Looks for More Confidence by Business, Financial Men

S. W. Souers, financial vice-president Missouri State Life, in discussing bonds said that bond prices will rise if business conditions improve. He looks for more confidence now on the part of financial and business people. Deflation is still going on and more adjustments will have to be made. This will retard to an extent the upswing in bond quotations. Utility holding company bonds have been regarded as gilt edged and yet Mr. Souers predicted that the government will soon be given supervision over these companies and action may be taken to regulate rates charged owing to the abuses of holding companies that have come to the front in a spectacular way in recent developments. Speaking of railroad bonds he said that they require specific attention at present. They are basic securities and are safe if properly selected.

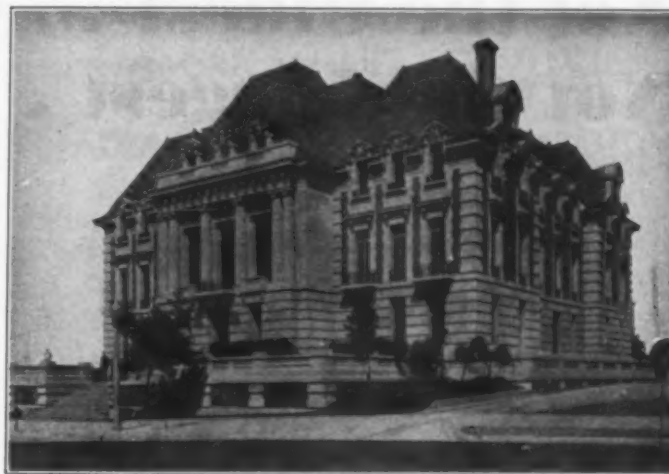
W. G. Preston, president Bankers Reserve Life of Omaha, in his talk said that for the last twelve years or so his company had invested largely in municipal bonds. The greater percentage of its investments are in this class and its experience has been very satisfactory. Of its assets only 2 percent is in farm loans and 3 percent in city. He cautioned his hearers in buying bonds of municipalities that have gone too far into debt. The public is aroused as to increased taxation and bond issues and have put their feet down on further municipal spending orgies. Mr. Preston advised diversification in municipal issues both as to locality and as to maturity.

Tells Importance of Financial Department

A. H. Rust of Bloomington, Ill., counsel of the State Farm Life, spoke of the great importance of the financial department of a life company. In considering bond issues he said that the market factor is important. There is always the opportunity to move into stronger positions by selling bonds and buying those of greater stability. He said that an official can study the possibilities of moving from one level to a higher one.

C. F. O'Donnell of Dallas, general counsel of the Southwestern Life, explained the famous Shropshire case which grew out of the interpretation of the usury statute of Texas. He said that there have been four opinions in this case. There were two by the Texas supreme court, one overruling the decision for a rehearing. In Texas there is a limit of 10 percent interest to be charged for one year. When loans were made mortgage companies would execute a deed of trust and usually two sets of interest notes, one set for 6 percent extended over a certain period and another set of 3 percent which really were commission notes. Under the contract if one of the notes were not paid at maturity the remainder became due at once and therefore the court ruled that this constituted usury. There have been cases where companies bought the first lien notes without knowing of the existence of the second series.

He said it is the practice of the mortgage brokers to draw contracts so that



Home Office Building

We Offer

- Policies for all ages, 1 day to 70 years
- Children's policies with beneficiary insurance
- Family Income Protection Plan
- Disability and Double Indemnity
- Surgical and Dismemberment benefits
- Both participating and non-participating
- Non-medical—Sub-standard
- Sales planning and circularizing department
- Producer's clubs

Territory available in seventeen states west of the Mississippi River, Illinois and Florida.

Write for a copy of "FIELD FEATURES"

James A. McVoy, President

Central States Life Insurance Company

Home Office—St. Louis

Not the Oldest . . Not the Largest .

but young enough
and strong enough
to afford exceptional
opportunities for
aggressive men.

Established 1896

Central Life Assurance Society (MUTUAL)

Des Moines - Iowa

Accident : Life : Health

UNITED Insurance Company

Founded in 1919

2721 South Michigan Avenue
Chicago, Illinois

ISSUING

Industrial Accident and Health Insurance
Industrial Life Insurance
Monthly Premium Accident and Health Insurance
Commercial Accident and Health Insurance
Group Accident and Health Insurance
Ordinary Life Insurance

Involes Correspondence from Producers

LEGAL RESERVE \$300,000.00 CAPITAL STOCK

O. T. HOGAN, President
A. D. JOHNSON, Secretary

Accident : Life : Health

they could be sure of getting their commission without proper regard for other interests. Mr. O'Donnell warned his hearers to exercise care in making real estate loans in Texas and take into regard the usury statutes. He said the lenders should not rely on the word of the mortgage bankers. Loans should be placed so that there will be no danger of more than 10 percent interest being earned in any one year. He declared that it is fortunate that with the large number of outside loans in the state there have been so few suits brought claiming a violation of the usury laws.

Danger of Shropshire Case Is Exaggerated

H. H. Young of Dallas, counsel of the American National of St. Louis, expressed himself to the effect that the Shropshire case had been exaggerated as to its danger and more fear had been engendered than was justified. He said that some were giving advice in case of a defaulted interest note, advocating that the unmatured notes be cancelled, someone be found who would pay off the old mortgage then let the mortgage be renewed and extended. He stated that it was of the utmost importance for companies to watch their notes and deeds of trust, to be sure that there is no possibility of more than 10 percent interest being charged.

R. G. Smith, assistant secretary Connecticut General, was to have spoken on the management of foreclosing city real estate but owing to disability he was not able to be present. His paper was read by V. H. Brainard, investment supervisor American Central. Mr. Smith said that no rigid plan or policy should be adopted as to foreclosures. There should be a flexible rule. He stated that it would be suicidal to throw real estate on the market in large amounts. Most of those who have had to sacrifice all their real estate, have put it up for sale so he predicts from now on the market will be more stable.

Talks on Drainage District Problems

President J. A. McVoy of the Central States Life talked on drainage district problems especially relating to Arkansas and Missouri. He said that Missouri has 364 drainage projects involving an expenditure of \$46,292,782. He stated that three-fourths of the drained lands in Missouri are in defaulted districts. Farmers cannot borrow on their land, he said, because the drainage taxes constitute a prior lien. Mr. McVoy said that in meeting the problem there may be government action or there may be reorganization of the bonded debt.

Third Vice-President J. L. Madden of the Metropolitan Life which has made an extensive survey of drainage districts said there are 650,000 drainage enterprises in the United States. Insurance companies have loaned money on these lands. The existing conditions in these areas make the position of insurance companies more difficult than they encounter in farm loans in the ordinary field. He said there is a general demand for reduction in drainage district taxes. The drainage systems, he said, should be maintained out of the present income of the farms. He characterized the drainage systems as a service maintained by self imposed taxes. The drainage taxes, he said, are junior to state, county and local taxes. There is a high foreclosure ratio, he said, in southeastern Missouri. He gave an experience of one life company's taxes on its holdings there saying that 43.9 percent was paid out for drainage taxes and 29.4 for school taxes. Where one farm overlaps into another drainage district the situation becomes more difficult. The delinquent tax ratio runs up to a high point.

Notwithstanding these discouraging conditions Mr. Madden said that some farmers through their keen business ability are making both ends meet. These are the farmers who have not

Canada Speaker



J. G. PARKER, Toronto
Actuary Imperial Life

over expanded or gone heavily in debt. He said the maintenance of these drainage districts is vital to the economic life of the sections in which they are located.

Because of the tax situation some ditches have gotten into exceedingly bad shape and to clean them up would cost more than the original expense of digging them. In order to save the country he said some will have to be cleaned.

The farmers are urging a readjustment with a reduction downward in a permanent way throughout the life of the bond. The bondholders realize something must be done but they object to a permanent readjustment. Mr. Madden said there must be some compromise reached. Delinquencies in payment of taxes increase the burden on the land and through these accumulations if foreclosure is brought about there will be little left for the bondholders. He said in some districts there is a large amount of cut over land and this is not able to support itself in crops. He said that the drainage tax, chattel mortgage tax, and the local taxes are usually the cause of foreclosures.

Can Withhold Payment Until Readjustment Is Made

Life companies can either pay the drainage tax or they can withhold payment until it is found whether some readjustment is made. In the latter contingency, however, he said tax penalties will apply. Mortgagees can abandon tracts of 40 acres in a section without personal liability. In some districts drainage taxes can be paid with drainage bonds.

Mr. Madden finds that farmers are cutting their operating costs. The local governments are reducing their expenses. Any marked upward change in farm produce prices will revive hope in these sections and save the day.

G. C. Holmberg, treasurer Northwestern National Life, reported on the mechanics of the Reconstruction Finance Corporation, explaining the path over which an application must travel before reaching the board of directors at Washington, D. C. He said that the aim of the corporation is to render assistance where it is deserved and the security is adequate. It is necessary, he said, to have systematic routine. There are 79 insurance companies that have been authorized to receive loans from the Reconstruction Finance Corporation. In recent weeks, he said, the applications for aid have declined 60 percent.

Chairman Byers announced that some months ago a special committee was appointed to look into the subject of

farm leases and to bring out a uniform form. This work was done in conjunction with the University of Illinois in an elaborate survey. The committee consisted of J. R. Bowen, American Central; R. H. Doane, Central States Life, and Hudson Burr, Aetna Life. Mr. Doane presented the report of the committee paying tribute to Professor Case of the University of Illinois for his work and explaining the scope of the survey and the presentation of the subject which was made in pamphlet form. The pamphlet gives an analysis of farm leases, presents the farm lease problems, gives an analysis of existing grain shares (cash leases) and gives a sample of the grain lease. There is a comparison of provisions found in leases and there are different kinds of leases presented. There are suggestions for making farm leases and a model lease is presented.

He said that the committee found a tremendous variation in leases. The members attempted to give an irreducible minimum for a lease and this lays the foundation for constructive farm management.

Not Proper Time to Liquidate Farms

A. O. Merriam, vice-president Franklin Life, in discussing farm sales said that now is not the proper time to liquidate farms. He said that companies should try to avoid throwing farms on the market and thus further depress prices. Companies, he said, should have the authority to hold foreclosed land until it can be disposed of without great sacrifice. He said there is no greater fluctuation in farm loans than in other types of security. In fact he considers the farm loan more moderate than other forms. There is the factor of permanency in the farm. He said productive land will always be in demand.

Mr. Souers in discussing the Missouri State's policy said that it is abandoning farms where there is not the slightest hope in them. Others are being sacrificed where it seems necessary. This is

Points About Municipal Bonds to Be Considered

In his discussion of bonds as an investment for life insurance companies, W. G. Preston, president Bankers Reserve Life of Nebraska, said that in purchasing municipal bonds his company has always adhered to certain principles. The total indebtedness of the municipality, including its various districts and sub-governing bodies, should be investigated carefully and nothing but the highest class of municipal obligations considered. Sole issues are not purchased as the danger of contest is lessened if there are a number of investors interested. The general attitude of the cities in the neighborhood of the issuing municipality or state for contesting bond issues is ascertained in order that it will be possible to detect any degree of laxity in observing moral obligation on the part of the municipalities.

only done when the company finds it more advantageous to give up farms or suffer a loss rather than continue and pile up further loss.

Lacy Explains Voluntary Domestic Allotment Plan

O. J. Lacy, vice-president Minnesota Mutual Life, explained the voluntary domestic allotment plan for farm relief now before Congress. This provides direct payment to producers on the basis of allotted acreage and production, representing a proportionate part of production used for domestic consumption. It is to be administered by state and county allotment committees under the supervision of the farm board. The

Greetings to

THE AMERICAN LIFE CONVENTION and CANADIAN LIFE INSURANCE EXECUTIVES

THE OTIS HANN

need for expert Conservation work is greater now than ever before. Tried and true methods are proving more satisfactory than complicated new schemes. This is no time for experiment or inexperience. Both are absent in The Otis Hann Company because:

Hann pioneered in this important phase of life insurance over thirty years ago, and the organization he founded is still functioning smoothly with an ever increasing and satisfied clientele. Therefore:

is a name always associated with successful Conservation, as this same name has continuously represented what is best in its field. Hence its widespread acceptance by constructive, conservative and reputable insurance companies throughout the United States and Canada.

CO

operation with policyholder, agent and home office, plus a keen appreciation of their problems, and the benefit of thirty years' experience in one line of work under all sorts of conditions, is the keynote of our success.

J. ROBERTS HANN
PRESIDENT

333 No. Michigan Avenue

Chicago, Illinois

OUR KEY

20 — 12 — 10 — 15 — 20

Of Agencies Under Contract Since Jan. 1, 1931

20	21% have adopted Organized Selling Methods in toto,	12
12	16% have adopted Organized Selling Methods partially,	12
	63% have not adopted Organized Selling Methods at all.	

AND

Comparing The First Six Months Of 1932

20	The 21% adopting the Methods paid for 99.3% as much as they did during the first six months of 1931,	15
15	The 16% partially adopting the Methods only 73%, and	15
	The 63% not adopting the Methods just 52.3%.	

OBVIOUSLY

Organized Selling Methods have produced results

20 — 12 — 10 — 15 — 20



**THE MINNESOTA MUTUAL
LIFE INSURANCE COMPANY**

SAINT PAUL



THE CEDAR RAPIDS LIFE INSURANCE COMPANY

has served well for more
than a quarter century

Good Men desiring to grow are invited to write us. Desirable General Agency Openings
IOWA NEBRASKA SOUTH DAKOTA
MINNESOTA

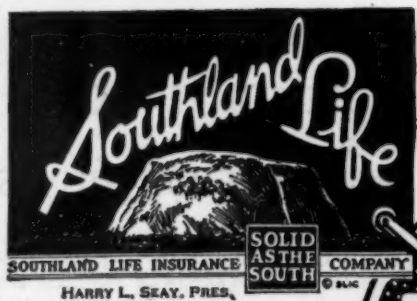
Officers who are Agency Minded. A kit of working tools that is unsurpassed.

Col. C. B. ROBBINS
President

C. B. SVOBODA
Secretary

JAY G. SIGMUND
Vice Pres. & Agency Director

HOME OFFICE: CEDAR RAPIDS, IOWA



LINKED TOGETHER

Southland Life, aggressive and alert member of the American Life Convention, is pledged to the progressive development of the great institution of Life Insurance.

Southland Life Insurance Co.

HARRY L. SEAY, President

HOME OFFICE DALLAS, TEXAS

JUST OFF THE PRESS!

1. A new quick selling "Hardtimes" policy that pays the salesman a real commission.
2. A new super-selling service plan on prospecting, agency recruiting and salesmanship.
3. A new "Cash Producing" app-a-week club plan that increases salesmen's commissions.
4. A new Juvenile policy with sales producing features and low rates.

Write today about the new low rate "Easy Selling" high commission policy and special sales plans!

The Bankers Reserve Life Company

OMAHA, NEBRASKA

W. G. PRESTON
President

J. R. FARNEY
First Vice President
and Agency Director

world price is to be supplemented by the profits of the charge on processing. The anticipated increase in price will be due to tariff less administration cost. The price increase applies to the part used for domestic consumption. The charge on processing will give the funds to carry on the work. The distribution of funds will be made to producers on their allotted proportion on the amount used for domestic consumption. The total production including surplus moves freely in trade at the world price. The specific contract is made with the producer who accepts the allotment for limitation of the controlling crop.

Object Is to Restore Prewar Farm Prices

Mr. Lacy said that it is the object of this bill to restore as far as possible prewar prices for farm products. He does not believe that the farmers will be content to put in long hours and meet all the discouragements of farm life simply to make a bare living.

The nominating committee consisted of G. C. Holmberg, Northwestern National Life, chairman; J. J. Shambaugh, president Royal Union Life, and President E. O. Burget, Peoples Life of Indiana. It has been the custom in these departments of the American Life Convention to move up the secretary to the chairmanship. J. E. Reilly, secretary Old Line Life of Milwaukee, was secretary of this section and declined to serve as chairman. The committee thereore nominated President Charles S. MacDonald of the Confederation Life for chairman and O. J. Lacy, Minnesota Mutual, for secretary, both of whom were elected by acclamation.

McVoy Discusses Problems of Drainage District Bonds

James A. McVoy, president Central States Life of St. Louis, in his address before the Financial Section, reviewed some of the problems arising out of investments in drainage district bonds.

He said that between 1903 and 1925 the drainage districts of southeast Missouri, constituting two-thirds of the number in that state, issued \$29,496,408 in bonds, carrying \$23,873,441 interest coupons. Julian Friant of Missouri, appearing before a house committee in Congress, estimated that during that period \$7,126,476 was paid on the principal and \$12,878,885 in interest, leaving a net indebtedness in 1925 of \$32,885,087. These figures have increased since then, Mr. McVoy said.

Missouri has in all 364 drainage projects. Most districts, Mr. McVoy said, have been or are now in default and it is said that more than three-fourths of the drained land of Missouri is in defaulted districts.

The drainage tax on these lands averages about \$1.50 per acre. Other taxes will average probably 75 cents per acre. Interest on mortgage indebtedness will run \$1.25 to \$3 per acre, making a total carrying charge of \$3 to \$7 per acre, which, Mr. McVoy said, "can not be paid under the depressed condition of agriculture and it is a question, except during war conditions, whether it can ever be paid." The economic plight of the farmer, resulting in defaulted drainage bonds, has destroyed the market for the bonds. In addition there is a mortgage indebtedness on these lands conservatively estimated at \$40,000,000, much of which is carried by insurance companies.

"Our plan for meeting the problem," Mr. McVoy said, "is, either through government aid or reorganization of the bonded debt, to relieve the farmer from the excessive drainage tax burden by setting up a moratorium over a period long enough to catch up with maintenance work on ditches and to pay off bond issues for schools, roads and levees, then to permit the payment of the drainage bonds on reduced installments over a long period of years."

Fear of Escheat Laws Unfounded

(CONTINUED FROM PAGE 6)

should be sufficient to permit a company to dispose of these properties without loss. In Oklahoma and Kentucky the limitation is but seven years and this may cause the company some concern.

Fourteen states, according to Mr. BroSmith, place no restriction upon the length of time an insurance company may hold property acquired by foreclosure but some states in this group have retaliatory provisions under which, if another state imposes obligations, prohibitions, restrictions, like restrictions are imposed upon similar companies from such other states. Enforcement of the retaliatory provisions, however, is doubtful, Mr. BroSmith said.

In another group of states there is a definite period during which an insurance company may hold property but a continuance may be granted.

In the states in which there is no limitation of the length of time an insurance company may hold property and in which there is no retaliatory provision, the company certainly should have no concern, Mr. BroSmith declared. In the states in which there is no limitation as to length of time, but in which there is a retaliatory statute, it is hardly credible that the retaliatory statute would be applied, he said. In the states in which the time is fixed but where the commissioners may extend the time indefinitely, there should be no concern.

Oklahoma, Texas, Nebraska, Kentucky Considered

In the states in which a definite time is fixed and the period of time the commissioner may extend is also fixed, there is no penalty prescribed for violation of prohibition. Possibly the commissioner might revoke the company's license, but Mr. BroSmith expressed the opinion that this would not be done if it were convincingly shown that the company was unable to dispose of the property within the period because of the condition of the real estate market.

In the remaining states of Oklahoma, Texas, Nebraska and Kentucky, not only is the companies' time to hold property limited, but retention of the property beyond either the constitutional or statutory period can result in an action to have the property escheat to the state.

In Kentucky property can escheat at the expiration of seven years after the time the corporation took title to it. A number of actions to escheat real estate, he said, have been successfully prosecuted, but he said he is unable to learn of the invoking of this statute against an insurance company. This is not to be considered a guaranty, however, he said, that it will not happen in the future.

Danger of Invalidating the Escheat Statute

In Nebraska, the original period plus the extension for domestic companies is 12 years. For foreign companies the period is 10 years, at the end of which time such real estate shall revert and escheat to the state.

In Texas the period is 15 years, and at the end of that time the property is subject to forfeiture and escheat proceedings. For domestic insurance companies the period is five years, but a certificate may be procured from the commissioner that the companies' interest will suffer materially by the forced sale of the land and the period may be extended.

Mr. BroSmith expressed the opinion that the commissioner could not extend the period for domestic companies in Texas beyond 15 years without invalidating the escheat statute.

In Oklahoma the property is subject to escheat after seven years. There is a provision practically the same as that

ounded

AGE 6)

a company
ies without
entucky the
rs and this
ne concern
to Mr. Bro
upon the
e company
by foreclo
group have
which, if
ations, pro
restrictions
companies
inforcement
however, is
id.

ates there
which an
d property
ranted.

ere is no
ime an in
d property
iatory pro
ly should
Smith de
ch there is
time, but
ry statute,
retaliatory
said. In
e is fixed
s may ex
ere should

finite time
e the com
ixed, there
violation
e commis
-company's
ressed the
be done
that the
ose of the
e cause of
e market.

Oklahoma,
ucky, not
to hold
on of the
stitutional
in an ac
sheat to

eschear at
after the
to it. A
eal estate,
ly prose
to learn
e against
is not to
wever, he
n in the

riod plus
companies
anies the
of which
vert and
ears, and
roperty is
eat proce
-s, but a
from the
es' intere
e forced
may be

opinion
t extend
anies in
t invali
subject
There is
as that

of Texas pertaining to domestic insurance companies. Then there is a prohibition to the effect that the taking, holding or transferring of land in contravention of the escheat section is illegal, all such real estate being subject to escheat to Oklahoma and the proceeds arising from the sale going to the permanent school fund.

Because of the mineral wealth in Texas and Oklahoma, Mr. BroSmith said it has been suggested that an insurance company could sell its farm properties subject to a lease made to itself of the mineral rights in the farm land. The suggestion has been made that, as the leases accumulate or if oil or other minerals are discovered, a subsidiary corporation could be formed for drilling, exploring and mining and the leases transferred to the corporation. In Texas, he said, this plan would probably be feasible, but in Oklahoma it is rather questionable because of the statute which forbids a corporation to hold property for a longer period than seven years or to transfer encumbrances of such land to another corporation.

F. L. Jones Demands War on All Sides

(CONTINUED FROM PAGE 3)

in youth, and the growing needs of upper age dependents through the social and economic developments.

The increased purchase of annuities is an indication of a new trend and should convince the companies that one of their duties is to help create and maintain reserves of sufficient volume to contribute to the needs of both policyholders and beneficiaries, he said.

A number of forces are at work to counteract the tearing down of reserves, according to Mr. Jones. They are: The statutes of states and the rulings of insurance commissioners; the admonition of insurance magazines, practical rules and programs of many legal reserve life companies, activities and resolutions of national and local underwriters' associations, and the cooperative program of 53 companies.

All Energies Should Be Multiplied in the Fight

Mr. Jones said that there will be presented at the annual meeting of the Life Agency Officers Association in Chicago a complete statement of the problem and an account of the factors that are at work to combat the evil. The purpose of that report and his talk at Toronto, according to Mr. Jones, is the hope that it will multiply all of the energies in an effective fight.

Statutes, departmental rulings and practices of the various states are numerous and stringent, according to Mr. Jones.

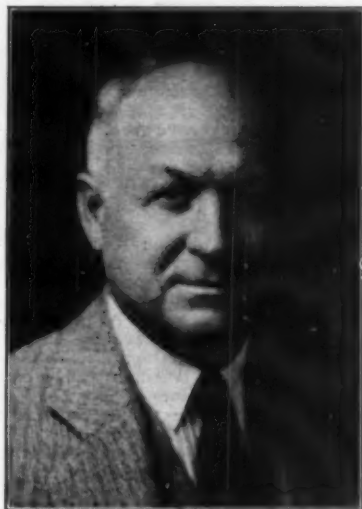
A definite challenge to the problem has been issued by the 53 companies that joined in a program last year, he said.

Companies Concerned in One Case Come Together

The most effective factor of the agreement, he said, is that it brings together the two or more companies that may be concerned with a single case. He expressed the hope that more companies would join in the agreement. He recited the results reported by some of the companies. One company said that in 14 months, 938 so-called replacement cases were handled by the home office representative in charge of the work. There were 574 opportunities to conserve the business offered other companies and 364 opportunities offered to the company reporting. That company was successful in conserving 120 cases.

Mr. Jones mentioned that a prominent company has recently adopted the plan of policy loan insurance which holds the face of the policy to its original amount and gives a five year moratorium on the payment of the loan interest. Others are working on plans of amortization of the loan and interest.

Eastern Speaker



FRANK L. JONES, New York City Vice-President Equitable of New York

Elliott in Review of Vital Issues

(CONTINUED FROM PAGE 9)

this year. Many companies ceased to write the benefit, and most of the others restricted the benefit at a higher price. Suicides have been a great problem, and many executives favor a legislative and policy change to extend the suicide clause five years or more. The longer clause has some advantages, but generally there is greater difficulty in establishing the fact of a suicide before a jury. Careful denial of over-insurance affords underwriting departments one of the strongest means of preventing suicides for insurance, he urged.

Judge Elliott commented on the first semi-annual meeting of the Financial Section held in St. Louis, Dec. 1, 1931.

A convention committee on social insurance has been working throughout the year. Judge Elliott said that during the current economic cycle the investment practices of life companies have been thoroughly justified. While it is true no investment program can be perfect in every detail, the most successful and certain have been those employed by life companies. Public recognition of this fact has enlarged the market for life insurance as an investment and popularized annuities. Persons seeking maximum safety for investment funds naturally have turned to life insurance because it has delivered the best performance record.

Milairs Well Represented

E. C. Milair, vice-president of the George Washington Life, Charleston, W. Va., and Mrs. Milair were accompanied by their son, N. M., who is a young architect.

* * *

Insurance Commissioner Sam King of South Carolina accompanied A. M. Lumpkin, prominent Columbia, S. C., attorney, who was navigating on crutches, due to an automobile accident he sustained near Greensboro, N. C. Mr. Lumpkin read a paper before the Legal Section.

* * *

Henry Jones, publicity and advertising manager of the Canada Life, was very active in cooperating with Publicity Manager D. F. Barrett of the A. L. C. in securing articles in Toronto papers. Mr. Jones is a young man of cordial demeanor and made many friends during the convention.

* * *

Vice-President G. L. Williams of the Union Central Life attended the convention and every session starting with the Legal Section Monday morning.

Satisfied Agents

The desire of the Guaranty Life in every transaction is to create and maintain satisfied agents and policyholders.

The entire Home Office organization is keyed to give every help and service asked for—and even more. Our agents know their Home Office is standing back of them. Guaranty Life service never falters when needed.

Investigate the modern and liberal policy contracts offered by this strong company.

LEE J. DOUGHERTY, President

GUARANTY LIFE INSURANCE CO.
Davenport, Iowa



The Franklin Life Insurance Company has been issuing the best in life insurance protection since organization.

It has changed and bettered its policy forms to meet modern needs, it has changed its methods of selling those policies, it has met changing times and changing conditions.

But the desire of the Company to offer always and only the best in the way of protection has persisted through the years, and brought The Franklin to its present position of dependability.

The
**FRANKLIN
LIFE INSURANCE
COMPANY**
SPRINGFIELD, ILLINOIS

*"Where there is no Vision
the People Perish"*

AGENCY CONTRACTS WITH VISION

Some excellent territory now
available.

Full Home Office Cooperation at
all times.

Unusual services for Agent and
Policyholder.

Write us today for details!

George Washington Life Insurance Company

Charleston, W. Va.

Established 1906

CONTINENTAL LIFE INSURANCE CO. ST. LOUIS, MO.

*25th Anniversary
1907-1932*

**LIFE
ACCIDENT
HEALTH
GROUP**

Capital, Surplus and Reserves,
\$17,000,000.00

For information relating to
Agency matters, address

ED. MAYS, President
Continental Life Building,
St. Louis, Mo.



Executive Session Proves Strenuous

(CONTINUED FROM PAGE 1)

The tax committee and the executive committee met in joint session earlier in the week, it lasting late one night to reach an agreement as to a report to be made to the convention. Undoubtedly there was some confusion in the minds of certain American Life Convention companies as to just what position they should take while the matter was pending in Congress. It seems that some expressed opinion to their senators and representatives that the Life Presidents Association plan was desirable. This muddled the waters to a considerable extent as the A. L. C. committee felt it did not have the support of its entire membership.

At the meeting Wednesday evening there were two resolutions adopted. The first was to approve the report of the tax committee. The second was to refer the whole matter back to the executive committee with authority to work out a tax program if the subject comes up. Whether this revenue provision applying to life insurance will be reopened in the next session of Congress remains to be seen. The American Life Convention desires to be prepared if it does. It is thought now that the executive committee and tax committee will have the support of the whole body. Some felt that on the floor of the convention there should be an expression of opinion as to what the tax program should be. Some advocated a premium tax. It was evident that a great majority of the members felt they were not qualified to vote on a specific program as the subject is profound and intricate.

U. S. Chamber Men Review Nation's Financial Issues

(CONTINUED FROM PAGE 10)

sumption will be thrown fully in mesh again, and the country will move forward as in the past to higher and higher standards of living, which after all is simply more and more things for more and more people."

Mr. Thorpe said the country will not come out of the depression until government overhead cost is materially cut down.

Dr. Dingman Presides at Thursday Afternoon Session

At the beginning of the Thursday afternoon session President Laird called on Dr. H. W. Dingman of Chicago, vice-president and medical director of the Continental Assurance and chairman of the Medical Section, to preside. Dr. Dingman in his early years was a student at the University of Toronto. On the faculty was Dr. H. B. Anderson, now medical director of the Imperial Life of Toronto, who spoke on behalf of the Medical Section, and was introduced by Dr. Dingman.

Dr. Anderson pointed out some of the mortality trends. Infectious diseases of various kinds show a marked reduction in mortality. Pneumonia, which is baffling in many respects, shows a decrease in mortality, although not nearly so favorable as other maladies of its class. There are wide fluctuations in pneumonia mortality. Tuberculosis mortality has been reduced about two-thirds.

Finds Death Toll from Accidents Is Appalling

The mortality from heart and blood vessel diseases has increased, although many over 70 years die from these causes. The strain, worry and anxiety undoubtedly has had an effect in increasing mortality of this character. The influenza pandemic of 1918 and 1919 weakened many who were vigorous and left the way open for work of degeneration. Cancer mortality has increased. A large number of cases are not amenable to any form of treatment. Some

Talks on Bonds



SIDNEY W. SOUERS
Financial Vice-President Missouri State

nationals seem more resistant to ravages of cancer than others.

The death total from accidents, he said, is appalling. This is not a medical question but one that concerns public authorities and those in all activities. Automobile accidents have jumped up remarkably. The suicide rate has run up many points in recent years due probably to business strain. Deaths from diabetes have increased in spite of insulin treatment.

General Recovery Noted But Caution Is Essential

(CONTINUED FROM PAGE 6)

into being during the period of inflation and which cannot be paid in full under conditions of deflation.

The scaling downward of such debts with lower interest rates and smaller sinking fund requirements has been going on for some time in real estate and mortgage and bond fields, and one may look for the same trend in bonds of corporations and municipalities. Reorganization of financial structures of certain domestic corporations may be looked for and likewise reorganization of certain bonds of railroads, which cannot continue indefinitely to borrow funds to pay fixed charges.

Further complication may be expected from attempts of debtors to take advantage of the tendency of creditors to be lenient. Before there is no actual need for readjustment no general rule can be established. He believes the fact that insurance companies are represented on most of the bondholders' protective committees is of great benefit because of the companies' experience and desire to protect investors.

Companies must be alert in shifting their positions as rapidly as possible. Bonds of underlying operating companies should be substituted for obligations of over-capitalized utility holding companies. The general railroad situation has been carefully studied in order that junior bonds of roads likely to be adversely affected by reorganization may be disposed of and underlying mortgage bonds of those lines representing a vital part of the transportation system acquired in their place.

C. G. Taylor, vice-president of the Metropolitan Life, who succeeded to the work of J. V. Barry, who retired at the end of the year, paid his first visit to the American Life Convention meeting in his new capacity. When he was vice-president of the Atlantic Life he served as president of the American Life Convention and later was assistant manager and actuary of the Life Presidents Association.